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RESTRICTIVE TRADE PRACTICES COMMISSION

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# REPORT

Concerning the Manufacture, Distribution and  
Sale of Quilted Goods, Quilting Materials  
and Related Products

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DEPARTMENT OF JUSTICE  
OTTAWA

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EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956.





RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning the Manufacture, Distribution and  
Sale of Quilted Goods, Quilting Materials  
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COMBINES INVESTIGATION ACT

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Ottawa  
1956



RESTRICTIVE TRADE PRACTICES COMMISSION

C. Rhodes Smith, Q.C., M.A., LL.B., B.C.L.  
Chairman

Guy Roberge, B.A., LL.L.  
Member

A. S. Whiteley, B.A., M.A.  
Member



RESTRICTIVE TRADE PRACTICES COMMISSION

Room 451, Justice Building,  
Ottawa, March 2, 1956

Honourable Stuart S. Garson, Q.C.,  
Minister of Justice,  
Ottawa

Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with the manufacture, distribution and sale of quilted goods, quilting materials and related products.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in an inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of Sections 18 and 19 of the Act.

Evidence and argument in regard to the Statement of Evidence were heard by the Commission at Montreal, on November 21, 22 and 23, 1955. Mr. G. A. MacKay, assisted by Mr. Gilles Lamoureux, appeared on behalf of the Director of Investigation and Research, and Messrs. S. G. Dixon, Q.C., A. J. Campbell, Q.C., L. M. Bloomfield, Q.C., B. Shulman, David Goodman, R. E. Morrow and Michael Greenblatt appeared on behalf of various parties mentioned in the Statement of Evidence.

Yours faithfully,

(Sgd.) C. R. Smith  
Chairman



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## CHAPTER I

### INTRODUCTION

#### 1. Reference to the Commission

This inquiry, which was conducted by the Director of Investigation and Research, was brought before the Restrictive Trade Practices Commission under Section 18 of the Combines Investigation Act.

On August 25, 1955, the Director of Investigation and Research submitted to the Restrictive Trade Practices Commission a Statement of Evidence obtained in the inquiry advising that in accordance with Section 18(1) of the Combines Investigation Act he was submitting copies of the Statement of Evidence to each of the parties against whom an allegation was made therein.

#### 2. Allegations

The Statement of Evidence contained the following general allegations:\*

The evidence discloses that from time to time during the period between 1948 and 1954 inclusive, and particularly during the years 1953 and 1954, the companies and persons named in paragraphs 4 and 5 of this Statement have been parties to arrangements to restrict competition in the manufacture, distribution and sale of quilting materials and quilted goods. The arrangements had the following principal designs and effects: (1) to fix and enhance prices of the said products; (2) to establish quotas for the amounts of such products that could be manufactured by various participants; and (3) to prevent entry into the business of manufacturing certain such products. These arrangements operated and were likely to operate to the detriment or against the interest of the public, because their immediate effects were the enhancement of prices and the restriction of entry into the business of manufacturing certain such products, and their long-term effects were to prevent desirable adjustments being made in the industry, whereby more

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\* All verbatim quotations from the Statement of Evidence are inset.

of such products would tend to be manufactured by the more efficient manufacturers at better prices. The arrangements were operative in the provinces of Quebec and Ontario and chiefly in the cities of Montreal and Toronto which are the main centres in Canada of the quilted goods industry.

### 3. Parties Named in the Allegations

The following quilting manufacturers, together with the Canadian Quilting Manufacturers Association, and the following wadding manufacturers, as described in paragraphs 4 and 5 of the Statement of Evidence are alleged to "have been concerned with the restrictive arrangements":

Canadian Quilting Manufacturers Association (hereinafter referred to as the Association) was incorporated under the laws of the Province of Ontario on January 8th, 1949 (Exhibit 27), although it was in existence as an unincorporated Association in November, 1948. During 1949 and 1950 its membership comprised a number of quilting manufacturers operating in the cities of Montreal, Toronto and Winnipeg. It was inactive during 1951 and 1952. In 1953 activities were begun again, and a number of quilting manufacturers signed formal agreements of membership with the Association. It was still operating when the hearings began in November 1954. The following persons were directors of the Association in 1953 and 1954:

Saul Grossman	- Secretary-Treasurer, Berback Quilting Ltd.
Melbourne Yull	- Secretary and General Manager, The Montreal Quilting Co. Ltd.
George Zuckerman	- Secretary-Treasurer, Toronto Quilting & Embroidery Ltd.
Arthur Zysman	- President, Master Quilting Co. Ltd.

#### Quilters:

Ralph Baker, 4566 De La Roche Street, Montreal, P. Q., sole owner of Baker Quilting Co. (hereinafter referred to as Baker). The firm began business in 1946, and Mr. Baker signed a formal agreement of membership in the Association in March 1953. (Exhibits 61, 65).

Berback Quilting Ltd. (hereinafter called Berback), 7041 Waverley Street, Montreal, P.Q. The company was incorporated in the latter part of 1949 and began business in 1950. The following are the officers of the company:

Moses Yanofsky	- President
Saul Grossman	- Secretary-Treasurer

The company executed a formal agreement of membership with the Association in March 1953. (Exhibits 33, 61).

Israel Zackon and Walter Marczak, 1332 Berthier Street, Montreal, P.Q., doing business under the firm name of Bucky Zackon Reg'd. (hereinafter called Bucky Zackon). The firm began business in 1949, and a formal agreement of membership in the Association was signed in March 1953. (Exhibits 37, 61).

Isadore Levitt and Henryk Tylman, operating under the firm name of The Expert's Quilting Company (hereinafter called Expert's), 27 St. Patrick Street, Toronto, Ontario. They began business in 1952, and signed an agreement of membership with the Association in March 1953. (Exhibit 42, Serials 1089-91).

Master Quilting Co. Ltd., (hereinafter called Master Quilting), 20 Maud Street, Toronto, Ontario. This company was incorporated in 1950, although it had operated as an unincorporated company with the same owners since 1940. The two principal shareholders of Master Quilting are also owners of Master Pad Company which supplies about 80% of the wadding requirements of the quilting company. The President of Master Quilting is Arthur Zysman and the Secretary-Treasurer is J. E. Wilton. Master Quilting became a member of the Association in 1948, and in 1953 signed a formal agreement of membership with the Association. (Exhibit 44, Serials 1080-2).

The Montreal Quilting Company Limited (hereinafter called Montreal Quilting), 524 Guy Street, Montreal, P.Q. was incorporated in 1899 and until 1947 was a subsidiary of Dominion Wadding Company Limited. It is one of the three largest quilting manufacturers in Canada, the other two being Toronto Quilting & Embroidery Limited and Quilted Products Limited. The company became a member of the Association in 1948 and its Secretary and General-Manager, Melbourne Yull, who was a director of the Association since incorporation, has been very active in its affairs during the periods of its operation. The company signed an agreement of membership with the Association in March 1953. (Exhibits 61, 63).

David Zuckerstein, Arthur Shipper, Joseph Weinberg and Joseph Luchfeld, operating under the firm name of Quebec

Quilting Products Co. (hereinafter called Quebec Quilting), 120 Grey Nun Street, Montreal, P.Q. They began business in 1952, and signed an agreement of membership in the Association in March 1953. The first three gentlemen named above own London Felt Mfg. Co. Inc., which supplies some of the wadding requirements of the quilting company. (Exhibits 35, 36, 61).

Quilted Products Limited (hereinafter called Quilted Products), 705 Bourget Street, Montreal, P.Q. was incorporated in 1948 to give effect to an arrangement whereby two quilting companies, Quilting Industries Limited and Novelty Quilting Company Limited agreed to pool their assets and operate as one company. Maurice Belitzky, the Secretary-Treasurer and Managing Director of Quilted Products, was the principal shareholder of Novelty Quilting Company Limited, and Quilting Industries Limited is owned by the present owners of Standard Felt Products Limited. The working arrangement between Novelty Quilting Company Limited and Quilting Industries Limited lasted until 1951 when the owners of the latter company withdrew their machinery and in 1952 made a similar arrangement with Montreal Quilting. The arrangement with Montreal Quilting was still in existence at the time of the hearings, so that, although Quilting Industries Limited still exists, it has no quilting machinery. Quilted Products continued to operate, using other machines it had acquired as well as those belonging to Mr. Belitzky as owner of Novelty Quilting Company Limited. Novelty Quilting Company Limited no longer exists. Quilted Products became a member of the Association in 1948, and in March 1953 Mr. Belitzky, on behalf of the company, signed an agreement of membership with the Association. (Exhibit 61).

Toronto Quilting & Embroidery Limited (hereinafter called Toronto Quilting), 352 Adelaide Street West, Toronto, Ontario. This company was incorporated in December 1945 as a result of a merger of Toronto Quilting Company and Zuckerman Company (Evidence p. 1121). The predecessor firms had begun business some time between 1934 and 1939. The company operates plants in Toronto, Montreal and Winnipeg. It became a member of the Association in 1948, and in March 1953 entered into a formal agreement of membership with the Association, (Exhibits 46, 61). The officers of the company are:

President	- Arthur Zuckerman
Vice-President	- Murry Zuckerman
Secretary-Treasurer	- George Zuckerman

Wadders:

The Dominion Wadding Company Limited (hereinafter called Dominion Wadding), 120 Vinet Street, Montreal, P.Q. This



company has been in business since 1884 as manufacturers of wadding and batting. They manufacture cotton and wool glazed waddings, both of which are sold to the quilting trade and constitute about 1/3 of their total sales. Until late in 1950 Dominion Wadding were the only manufacturers in Canada of glazed wadding, and since then their only competitors have been Matador Inc. In 1953 and 1954 their sales to the quilting trade were reduced considerably because they were unable to manufacture the wide, 56 inch wadding, the demand for which had increased rapidly in those years. They began to install equipment to manufacture such wadding in the latter part of 1954. The President of Dominion Wadding is E. F. Stearns, of Ohio, who is also an officer of The Stearns and Foster Company, wadding manufacturers in Cincinnati, Ohio. The executive Vice-President and Secretary of the company is W. G. Hayes. (Exhibit 59).

Matador Inc. (hereinafter called Matador), 9500 St. Lawrence Blvd., Montreal, P.Q. was incorporated as Matador Clothing in 1945 and the name was changed to the present one in 1950. It began business as a wadding manufacturer in the latter part of 1950, and makes glazed wadding and unglazed paddings. When the hearings in this inquiry began Matador and Dominion Wadding were the only manufacturers of glazed wadding in Canada and Matador was the only manufacturer of 56 inch wadding. The President of the company is Abraham Weintraub and the Sales-Manager is Dr. jur. Emanuel Rosenberg. (Exhibit 66).

Union Felt Products Limited (hereinafter called Union Felt), 1 Wiltshire Avenue, Toronto, Ontario. The company was incorporated in 1945, and manufactures wool and cotton layer felts for the chesterfield, bedding, mattress and quilting trades. Less than 1/3 of its production is sold to the quilting trade. Union Felt manufactures wadding which is known in the trade as unglazed or heather wool wadding. The President of the company is B. A. Himel. (Exhibit 48).

Standard Felt Products Ltd. (hereinafter called Standard Felt), 705 Bourget Street, Montreal, P.Q., was incorporated in 1938. It manufactures felts, wadding, shoddy and is a dealer in rags. The officers and principal shareholders in this company are the principal shareholders in Quilting Industries Limited, which since 1952 has turned over its quilting machinery to Montreal Quilting under a profit sharing agreement. As a result of this agreement Standard Felt sells most of its wadding for quilting to Montreal Quilting. Such sales in 1953 represented about 80% of its total wadding sales to the quilting trade. (Exhibit 41). The officers of the company are:

President	- Albert Roiter
Vice-President	- David Goldstein
Secretary-Treasurer	- Morris Gold

#### 4. Hearings and Witnesses

On application of the Director of Investigation and Research, hearings for the taking of evidence in the inquiry were held, before the Chairman of the Commission, in Montreal, from November 22 to 26, 1954, and in Toronto, from November 29 to December 1, 1954. The following witnesses were then examined:

##### Names of Witnesses

Raber, Benjamin	Canadian Quilting Manufacturers Association
Baker, Ralph	Baker Quilting Co.
Beck, Hyman	Parisian Pad Company Limited
Beck, Jack	Parisian Pad Company Limited
Belitzky, Maurice	Quilted Products Limited
Goodman, Frederick C.	McDonald, Currie and Company
Grossman, Saul	Berback Quilting Ltd.
Hayes, W. Gordon	The Dominion Wadding Company Limited
Himel, Benjamin A.	Union Felt Products Limited
Levitt, Isadore	The Expert's Quilting Company
Nelson, Leeds M.	McDonald, Currie and Company
Roiter, Albert	Standard Felt Products Ltd.
Rosenberg, Emanuel	Matador Inc.
Tylman, Andrew	The Expert's Quilting Company
Tylman, Henryk	The Expert's Quilting Company
Weintraub, Abraham	Matador Inc.

Wiseman, Albert	Almac Felt Manufacturing Company
Yull, Melbourne	The Montreal Quilting Co. Ltd.
Zackon, Israel	Bucky Zackon Reg'd.
Zavalkoff, Gerald	Dominion Gaiter Manufacturing Company Limited
Zuckerman, George	Toronto Quilting & Embroidery Ltd.
Zuckerstein, David	Quebec Quilting Products Co.
Zysman, Arthur J.	Master Quilting Co. Ltd.

The Commission, by an Order dated November 9, 1955, fixed Monday, November 21, 1955, at 10 o'clock in the forenoon in Room 208, Postal Station "B" Building, in the City of Montreal, as the date, time and place at which argument in support of the Statement of Evidence might be submitted and at which persons against whom any allegation had been made in such Statement would be allowed full opportunity to be heard in person or by counsel, the whole in compliance with Section 18(2) of the Act. In giving notice thereof, the Commission further informed the parties that at such hearing they would have the opportunity of further examining any witness who had been called during the course of the inquiry or of having called any additional witnesses or of submitting additional documentary evidence.

The following appearances were registered at the hearing which opened on November 21, 1955, and concluded on November 23, 1955:

G. A. MacKay	For Director of Investigation and Research;
Gilles Lamoureux	Assisting Mr. MacKay;

Quilters

L. M. Bloomfield, Q.C. )	For Quebec Quilting Products Co.
David Goodman )	Master Quilting Co. Ltd.,
)	Quilted Products Limited,
)	Baker Quilting Co.,
)	Toronto Quilting &
)	Embroidery Ltd.,
)	Berback Quilting Ltd.;

) For Mr. George Zuckerman )  
) Mr. Arthur Zysman ) -  
) Mr. Saul Grossman )

(Directors of Canadian Quilting  
Manufacturers Association);

S. G. Dixon, Q.C.

Counsel to Mr. Bloomfield;

A. J. Campbell, Q.C.

) For The Montreal Quilting Co. Ltd.;  
)  
) For Mr. Melbourne Yull -  
Director of Canadian  
Quilting Manufacturers  
Association;

Michael Greenblatt

For Bucky Zackon Reg'd.

Wadders

B. Shulman

For Standard Felt Products Ltd.;

Michael Greenblatt

) For Matador Inc.,  
) Union Felt Products  
Limited;

R. E. Morrow

For The Dominion Wadding  
Company Limited.

(The Expert's Quilting Company was not in attendance,  
and was not represented by counsel.)

Before the argument was heard additional exhibits were  
filed and the following witnesses were called by the parties against  
whom allegations had been made by the Director:

Mr. W. G. Hayes

Mr. Jack Beck

Mr. G. Zavalkoff

Mr. Albert Roiter

Mr. M. Yull

Dr. Robert Solo, Assistant Professor in the Department of  
Economics, McGill University, Montreal.

For purposes of clarity, reference in this report to  
evidence given at hearings for the taking of evidence will be made as  
follows: "Evidence, p. ...". Reference to evidence given at the  
hearing before the Commission will be made as follows: "Hearing,  
p. ...".



During the course of his inquiry, the Director obtained a considerable number of documents from the premises of the Canadian Quilting Manufacturers Association, and from the various quilting and wadding firms. These documents were all stamped with serial numbers. In this report they will normally be referred to by their serial number, thus: "Serial ....".

##### 5. Position Taken by the Parties with Respect to the Allegations

Some time prior to the opening of the hearing for argument, the parties named in the Statement of Evidence were informed by the Commission that at the commencement of the hearing each party represented would be called upon to state precisely the position taken with respect to the Statement of Evidence; that is to say, whether issue would be taken on the facts submitted in the said Statement and, if so, on what facts and whether issue would be taken on the conclusions submitted in the form of allegations of misconduct by the Director and, if so, on what allegation or allegations, and what propositions or conclusions would be submitted in reply thereto. The Commission indicated that it would find it of great service if written briefs outlining the position taken could be put in its hands before the commencement of the hearing. The Dominion Wadding Company Limited assisted the Commission by so doing.

The position taken by the quilting manufacturers, not including The Expert's Quilting Company, was stated by Mr. S. G. Dixon, Q. C.:

" . . . So far as the statement of evidence is concerned, we think it is a very fair proposition. There is nothing in it which is not accurate. We do not agree with some of the conclusions that have been drawn from the facts which are stated in this statement of evidence; but, apart from that, we do not take any exception.

Now, so far as the people I represent are concerned, . . . we hope to produce one witness, an economist, who will not speak directly to the facts. But, naturally, his evidence will be based on the facts as brought out in the statement of evidence. He will draw some conclusions, which, we hope, will serve as a guide for the Commission."

(Hearing, p. 14)

Mr. A. J. Campbell, Q. C., acting for The Montreal Quilting Co. Ltd., stated that his client's position was substantially that outlined by Mr. Dixon (Hearing, p. 17).

The brief filed on behalf of The Dominion Wadding Company Limited expressed the following views:

"1. That although there may have been agreements between quilting and wadding manufacturers designed to or having the effects charged by the Director, in particular to fix prices and to fix quotas, Dominion Wadding was not a party to any such agreements.

2. That inferences drawn by the Director as to the participation of Dominion Wadding in any such agreements between wadding and/or quilting manufacturers are incorrect.

3. That the allegations of improper conduct on the part of Dominion Wadding are based on unfounded inferences, are not based on fact and are not supported by any evidence.

4. That the Director failed to fully examine witnesses as to the participation of Dominion Wadding in any of the alleged improper agreements."

Acting for Standard Felt, Mr. B. Shulman made the following statement:

"Our contention, to put it briefly, is that we always sold [our wadding] to our companies, and what little was left we offered out. And we were never in a position of joining in any restrictive practices, because there were two points of view. First of all, we sold [to] our own companies [Quilting Industries Limited and, since 1952, The Montreal Quilting Co. Ltd.], and it did not matter whether one company made profit or the other, because it was the same principals and, secondly, our competitors would not buy -- that is, the quilters would not buy from us anyway. And thirdly, whatever we had left, we did offer out; and we will establish before this Commission, by witnesses, that we did offer our goods out; and if they did not take them it was a matter of their refusing them. But they were offered."

(Hearing, p. 19)

No special plea was offered by Union Felt.

On behalf of Matador Inc., Mr. Michael Greenblatt took objection to the conclusions of the Statement of Evidence and submitted that the Commission could come to a different conclusion by referring back to the detailed evidence given by Dr. Rosenberg, Sales Manager of the Company (Hearing, p. 15).

## CHAPTER II

### THE QUILTING INDUSTRY

#### 1. Quilting - Definition and Process

Since the quilting manufacturers represented before the Commission, and all members of the Association were represented with one exception, stated by Counsel that they did not disagree with the facts as reported in the Statement of Evidence but only with some of the conclusions arrived at by the Director, we shall quote extensively from the Statement in reviewing the evidence. In doing so we have in mind the position taken by Counsel for the Association that the Statement is an accurate and very fair presentation of the facts.

Quilting is primarily a method of insulating clothing or cloth against cold. It is also used to add body and weight to garments. Quilting usually consists of wadding or padding, sometimes backed with cheesecloth or other material, and sewn to a lining by a quilting machine. The quilting machine, which is a multiple sewing machine, also stitches a pattern into the quilting. The quilting is then incorporated or converted by the clothing and the converting trades into various articles, which include bedspreads, housecoats, table covers, crib pads, parkas, station wagon coats and other types of windbreakers, oven mitts, slippers, and many varieties of children's clothing. According to a witness who gave evidence at the hearings, the industry in Canada employs about 600 persons, of which about 450 are employed by the members of the Association (Evidence, p. 474).

As a general rule the quilting manufacturers are concerned only in the quilting aspect of the production of the quilted article. The clothing or other manufacturer supplies the lining and the quilting manufacturer obtains the wadding, and backing if necessary, and stitches them to the lining. Backing is necessary for some types of wadding to keep it from coming apart. It usually consists of cheesecloth, although a certain type of paper is also used. The quilted lining is then returned to the clothing or other manufacturer who fashions it into a quilted garment or other article.

## 2. Wadding - Definition and Process

Most of the quilters do not make their own wadding, but buy it from wadding manufacturers. The wadding may be of cotton or wool, depending on the type of quilted article and the desire of the purchaser. As far as warmth is concerned cotton is as good as wool, although the popular belief is that wool is warmer (Evidence p. 1303). The type of wool wadding presently being sold by the wadding manufacturers is much cheaper than cotton wadding. Two distinct types of wool wadding, known as glazed and unglazed, are made, but the basic material, wool shoddy, is the same for both. The shoddy is obtained, either by picking to pieces clippings from wool cloth or garments, or by picking to pieces used wool clothing. In recent years shoddy obtained from used clothing has been used mostly. For unglazed wadding the shoddy is run through garnett machines, which form it into pads of the required thicknesses. It may then be backed with a kimpak paper backing, but generally it is sold to the quilters without backing and the quilters have to provide their own backing, usually cheesecloth. Glazed wool wadding is produced by building up successive layers of shoddy into sheets and then covering the sheets with a mixture of corn starch and subjecting them to heat. The result is a wadding with a glazed finish which is stronger, easier to handle and of more uniform thickness than the unglazed wadding. In most cases it is used without any backing. The same processes are used in producing glazed and unglazed cotton waddings, where the raw material is usually raw cotton.

## 3. Substitutes

Generally speaking, quilted products, like most textiles, especially in the clothing field, must compete with a wide variety of alternatives. Further, demand in the quilting industry for many products is governed by fashion.

## 4. Expansion of the Industry

Until about 1945, 90% of the quilted products sold by the quilting manufacturers went into housecoats, table covers and bedspreads. These were generally made with cotton wadding. At that time there were only three quilting manufacturers in Quebec and Ontario, viz.: Master Quilting Company, Montreal



Quilting and Toronto Quilting (Evidence pp. 123-4).<sup>(1)</sup> The only manufacturer in Canada of glazed wadding, and the chief manufacturer of cotton wadding, was Dominion Wadding, which also owned Montreal Quilting.

Two or three years after the end of the war certain clothing manufacturers, particularly of sportswear and children's wear, became interested in quilting during their search for a padding which would add warmth, body and weight to some of their garments, many of which were being manufactured from cotton cloth. Because it was much cheaper they preferred quilting with wadding made from wool shoddy rather than cotton wadding. At about this time also certain types of quilted clothing became fashionable and a demand was created which only since 1953 has begun to abate. They included such articles as quilted skirts, bed jackets, lounging pyjamas, coats, certain types of containers and certain articles of sportswear.

As a result, largely, of the interest of the clothing manufacturers the demand for quilted materials increased considerably. The extent of the increase is evident from the following figures, published by the Dominion Bureau of Statistics, representing the total value of production in Canada of quilts and quilted goods for each of the years listed:

1943	\$ 593,107.
1944	580,327.
1945	587,021.
1946	364,266.
1947	507,465.
1948	1,324,402.
1949	1,388,904.
1950	2,181,755.
1951	2,279,351.
1952	2,412,303.
1953	2,793,345.*
1954	2,749,649.*(preliminary only)

Source: Advance Report Textile Industries of Canada - 1943-6  
The Textile Industries, 1947-8  
General Review of All Textiles, 1949-52  
\* These figures were obtained from D. B. S.

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(1) It appears that the number of manufacturers at this time was actually four as Maurice Belitzky of Quilted Products stated (Evidence, p. 642) that he had started in the quilting business in 1941.

The total sales of the members of the Association, obtained from returns they submitted to the Director which were entered as exhibits at the hearings, were as follows for the years 1950 to 1953:

	<u>Yards</u>	<u>\$</u>
1950	3,366,898	1,886,244.
1951	3,579,018	1,862,128.*
1952	4,689,637	2,095,073.
1953	4,224,424	2,106,741.

\* The 1951 dollar figure includes an estimated figure for Master based on their yardage, and on the returns obtained from the other quilters for that year.

. . . It is apparent from a comparison of the DBS figures with those of the members of the Association that most of the quilting business in Canada was done by the latter.

Later in this report details are given of the yardage sales of members of the Association in connection with the quota arrangement. In considering the expansion of the quilting industry since the early 40's it is of interest to note the relative size of the individual firms in relation to the date of establishment. For this purpose the yardage sales in 1952 may be used.

<u>Firm</u>	<u>1952 Sales Yards</u>	<u>Per Cent of Total</u>	<u>Year Established</u>
Baker	128,800	2.7	1946
Expert's	162,636	3.4	1952
Quebec Quilting	168,000	3.6	1952
Berback	201,000	4.3	1949 or 1950
Bucky Zackon	247,802	5.3	1949
Master	614,284	13.0	1940
Quilted Products	935,830	19.9	1948*
Montreal Quilting	1,114,742	23.7	1885
Toronto Quilting	1,137,398	24.1	1945**

\* A predecessor firm had begun business in 1941

\*\* Predecessor firms had commenced business between 1934 and 1939

It will be seen from the above table that in 1952, the manufacture of quilting was concentrated to a considerable extent in the hands of the older companies. Over 80% of the yardage sales were attributed to four of the older firms and less than 20% to five firms which had entered the business since 1945. It will be noted that two

firms, Expert's and Quebec Quilting, became established in 1952.

While the evidence in the inquiry does not establish conclusively the number of quilting firms carrying on business in each year, it would appear that in 1948 there were at least seven quilting firms in Ontario and Quebec and one firm in Winnipeg.

In 1954 five companies were engaged in the manufacture of wadding and were selling at least part of their production to the quilting trade. These companies submitted to the Director returns of information containing, among other things, details of their sales to the quilting industry and to the members of the Association in 1952 and 1953.\* . . . It is clear therefore from the returns of the wadding manufacturers that no quilting manufacturer of any significance, other than those referred to above, operated in Ontario and Quebec.

That the wadding manufacturers named [in the Statement] accounted for the great bulk of the sales of wadding to the quilting industry is evident from the returns submitted to the Director by the members of the Canadian Quilting Manufacturers Association. . . . The same quilting manufacturers stated in their returns that no wadding was imported by them.

#### 5. Imports of Quilted Goods and Wadding

The Secretary of Montreal Quilting stated at the hearings (Evidence pp. 1371-3) that the quilting manufacturers in Quebec and Ontario were experiencing some competition from the import into Canada of certain quilted articles. As examples he mentioned quilted plastics and quilted satins for bedspreads. He said that the tariff on such articles was 27 1/2%. The Secretary-Treasurer of Toronto Quilting also stated at the hearings (Evidence p. 1161) that certain quilting materials were being imported and that the Association had considered making representations to the Department of National Revenue to have the tariff increased.

No published records, showing the extent of imports of quilted articles in Canada, are available. The rates of tariff applicable to various articles of quilting are contained in tariff items 532, 555, 567 and 567A of the Customs Tariff and are as follows:

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\* Details of sales to quilters not members of the Association, given in the Statement of Evidence, indicate that such sales by wadders were relatively small.

<u>Tariff Items</u>	<u>Brit. Pref.</u>	<u>M. F. N.</u>	<u>General</u>
532	25 per cent	25 per cent	35 per cent plus 4 cents per lb.
GATT		22 1/2 per cent	
555	30 per cent	40 per cent plus 32 1/2 cents per lb.	40 per cent plus 35 cents per lb.
GATT	25 per cent	27 1/2 per cent	
567	27 1/2 per cent	30 per cent plus 7 cents per oz.	45 per cent plus 7 cents per oz.
GATT		30 per cent	
567A	25 per cent	35 per cent plus 5 cents per oz.	50 per cent plus 7 cents per oz.
GATT		27 1/2 per cent	

The British Preferential Tariff under each of the above items is subject to a discount of 10% from the total duty.

As far as the quilting trade in Quebec and Ontario is concerned, the wadding manufacturers appear to have experienced little competition from the import of wadding. According to their returns none of the members of the Association imported any wadding. However, a clothing manufacturer who had installed quilting machinery but was unable to obtain wadding from the Canadian manufacturers because of pressure of the Association, did import a small quantity of wadding from the United States in 1954.\* The manufacturer was Dominion Gaiter Manufacturing Company Limited, and the Secretary-Treasurer of the company stated at the hearings that the landed price of this wadding was 8 1/5 cents per yard as against a Dominion Wadding price for the same type of wadding of 7 cents per yard (Evidence pp. 1606-7). Tariff item 536 of the Customs Tariff

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\* This manufacturer stated in evidence that he did obtain some wadding in Canada, but not as much as he desired at the time.

provides for a British Preferential Tariff of 12 1/2%, a Most Favoured Nation Tariff of 20% and a General Tariff of 25% on imports into Canada of wadding of wool, cotton or other fiber. The Most Favoured Nation Tariff is reduced to 20 per cent under GATT.





## CHAPTER III

### REVIEW OF THE EVIDENCE RELATING TO THE ACTIVITIES OF THE QUILTING MANUFACTURERS

#### 1. The Canadian Quilting Manufacturers Association

We have seen that by 1948, there were at least eight quilting manufacturers in the industry as against only three or four such manufacturers in 1945.

A considerable increase in capacity had taken place and, as stated by Mr. Belitzky, of Quilted Products, there was in 1948 a considerable amount of price-cutting (Evidence, pp. 646-47). On November 20th of that year, a meeting of the Montreal and Toronto quilters was held. It was then decided to incorporate under the laws of Ontario a non-profit, no share capital corporation under the name of The Canadian Quilting Manufacturers Association. One Mr. I. Fram was apparently entrusted with the setting-up of the organization. Letters patent were issued dated January 8, 1949. A Toronto lawyer, Mr. Elliot Marrus, was then appointed Secretary or Manager of the Association. It would appear that Mr. I. Fram ceased at that time to take an active part in the affairs of the group.

The following quilting manufacturers were the original members of the organization:

Montreal Quilting  
Novelty Quilting Limited  
Quilting Industries Limited  
Toronto Quilting  
Mid-West Quilting  
Master Quilting  
Perfection Quilting  
Coronet Quilting

The officers of the Association were:

President	-	Melbourne Yull
Vice-President	-	Morris Fine
Secretary-		
Treasurer	-	Charles Zuckerman
Director	-	Morris Gold

The evidence discloses that minimum prices were agreed upon, that price lists were issued and revised from time to time. Efforts were made to avoid disturbance of the price structure established by the Association. For instance, Dominion Wadding was asked to stop selling wadding to a small quilter who had not joined the Association and who was cutting prices. It appears that discounts from Association prices were to be confined to members. In accordance with that understanding, Master Quilting was asked on one occasion to stop doing work at discount prices for Borg Industries Ltd., Winnipeg, unless that firm joined the Association. That request was complied with.

In spite of such efforts, it appears that, as early as 1949, certain of the quilters were, on occasion, departing from the agreed prices. This was usually done by giving concessions to individual customers. In an effort to hold the line and prevent further concessions, it was agreed that all accounts to which concessions were being made were to be registered with the Association. Few members complied with that requirement. In order to maintain its business in Montreal, Toronto Quilting offered goods to accounts in Montreal below the list prices. Some quilters also reduced prices to certain customers in Toronto during the latter part of 1949, and an attempt was made to have such price concessions registered with the Association.

The last recorded action with respect to prices indicated by the evidence relating to this period was the adoption of a revised price list by the Association in February, 1950. The evidence discloses that at this time the Association was getting little support from its members. Although meetings continued to be held for some months the Association became dormant not long after a meeting held in November, 1950. The charter was, however, not surrendered and use was made of it when the Association was reorganized and reactivated in the early part of 1953.

## 2. Canadian Quilters Limited

At the beginning of 1951, as an experiment for one year, Master Quilting, Montreal Quilting and Quilted Products, being three of the largest quilting firms, began to operate as one business through a corporation set up for that purpose, named Canadian Quilters Limited.

Mr. Belitzky, of Quilted Products, described its purpose and operation as follows:

"A. Well, it came into existence because, as I have explained, we have always been trying to do something to standardize

qualities and to lower costs, and we thought that by merging the operations of three plants, such as Master Pad, Montreal Quilting and Quilted Products --

Q. These were firms, were they?

A. Yes, these were firms, that we hoped, as an experiment, for one year, that we would work on a basis of renting our plants and premises to Canadian Quilters Limited. By doing that we would be able, we thought, to reduce substantially our overhead, and therefore reduce our prices. And, if I recall correctly, the quilting firms referred to bought the preferred stock in Canadian Quilters Limited, and some of the principals of those companies bought the common stock. Unfortunately, however, it did not turn out too well. So, at the end of the year we wound it up.

Q. The three firms you mentioned rented their equipment to Canadian Quilters Limited?

A. Yes."

Mr. Belitzky further stated:

"... Canadian Quilters Limited operated it as one business. They sold as Canadian Quilters Limited and they invoiced through Canadian Quilters Limited, and marked it as Canadian Quilters' plant, and paid all the wages, and bought all the materials, and, if I recall correctly, the only thing they did not have was the quilting machines and the rent of the premises. But, outside of that, I think they paid all other expenses."

(Evidence, pp. 665-66)

Another associate, Mr. Yull, of Montreal Quilting, explained the reason for the formation of the new organization thus:

"A. Canadian Quilters Limited was an arrangement whereby the people involved would do their work, and do it through Canadian Quilters. We had an administrator with an office, and all the financing and everything was done through there.

Q. What was the purpose of this?

A. One of the prime purposes was that we would be able, under a combined operation, to carry less inventory. In other words, if we had three plants, each individual plant operating on its own, we would have to have three separate inventories. In our business that involves quite a bit of

money. Under Canadian Quilters arrangement we would have to have less inventory to carry at all times, and we could switch work from one plant to the other plant, and thus save a terrific amount of down time in our operations."

(Evidence, pp. 1401-02)

As pointed out in the Statement of Evidence, the formation of Canadian Quilters Limited also obviated competition in price among the three participating manufacturers.

Mr. Belitzky was President of the company, Messrs. Zysman, of Master Quilting and Yull, of Montreal Quilting, were both Directors. Canadian Quilters Limited was wound up at the end of 1951. Mr. Yull said that the reason for dissolving it was that personal differences arose among members, (Evidence, p. 1414).

The evidence does not disclose that any other arrangement existed among the quilting manufacturers during the period between 1951 and 1953.

### 3. Reactivation of the Association

According to the evidence of witnesses, price-cutting on a considerable scale began in the quilting trade toward the end of 1952 and increased in extent in 1953. Between February and April, 1953, representatives of quilting manufacturers held a number of meetings at which the Association was reorganized and reactivated with a view to overcoming that situation. This is apparent from the evidence, especially that of Mr. Belitzky:

"Q. Mr. Belitzky, was the Association reorganized in 1953?

A. Would you clarify what you mean by 'reorganized'?

Q. Was your company still a member of the Association when Mr. Raber was hired?

A. We will say we were a dormant member of the Association. As I said before, we were not attending any meetings, or paying fees, and having no get-togethers -- except the odd bit of personal correspondence, of which you have the records.

Q. What happened in 1953?

A. In 1953?

Q. Yes.



BY MR. BLOOMFIELD:

Q. Would you use the term 'reactivated' instead of 'reorganized'?

A. I would say we did, yes.

BY MR. MACKAY:

Q. You reactivated?

A. In 1953 there was a terrific slashing of prices.

Q. In 1953?

A. As a matter of fact, it commenced in December of 1952, and it really started to get bad -- which is our low period -- in 1953. The prices were slashed. I don't think that in some cases they got the cost of their labour and materials out of it, to say nothing of any overhead or salesmen's commissions or anything else -- or the enormous loss in operations.

For example, we figure in our calculations about 5 per cent loss in wadding, or 6 per cent loss in wadding. Some goods we sold at that time at the actual cost of the material itself, and the direct labour. And when I say 'direct labour' I mean the cost of the operator on the machine, and the mender, and the trimmer and maybe the wrapper.

BY MR. BLOOMFIELD:

Q. And no allowance for any overhead?

A. None, none at all.

BY MR. MACKAY:

Q. What was done to correct that situation in 1953?

A. We reactivated, as you say, the Canadian Quilting Manufacturers Association, and called a meeting to see what was to be done about it.

BY MR. BLOOMFIELD:

Q. Pardon me for interrupting, but during this so-called price war that took place immediately prior to reactivation of the Association, what was the position of the quality of the product?

- A. As a matter of fact, I was going to mention that. As I said before, in our plant we were running as low as six stitches to the inch, and getting practically -- well, everything in there was made out of old rags. Because the wadding people had to bring their price down."

(Evidence, pp. 669-71)

Mr. Belitzky, as did other witnesses, emphasized that the price arrangements were subordinate to the efforts to obtain a better quality product. The evidence as a whole, however, does not point to any improvement in quality of quilted products clearly resulting from actions of the Association. One of the features of the industry appears to be an absence of defined standards either as to nature of material or type of processing.

Another witness, Mr. Zackon, of Bucky Zackon Reg'd., said that the success of the Association in stopping widespread price-cutting enabled him to stay in business, (Evidence, pp. 629-31).

Early in 1953, Mr. Benjamin Raber, who had resigned his position with Toronto Quilting, was preparing to start his own quilting firm. He had leased premises, purchased machinery at an approximate total cost of \$25,000., and expected to be in production by the month of March. Before he had completed his project, Mr. Raber was invited to attend a meeting of the Association at which he was offered the management of the Association. That position, Mr. Raber finally accepted at a yearly salary of \$20,000.. A contract (Exhibit 28) was entered into for a period of 22 months extending from March 1, 1953, to December 31, 1954. The Association undertook to refund to Mr. Raber the amounts he had already paid and to indemnify him against any loss or expenses incurred in connection with his proposed quilting business. In turn, Mr. Raber agreed to assign to the Association all his right, title and interest in the machinery contracted for and agreed further that "for the term of the agreement he would not engage in the quilting business in Canada directly or indirectly in any manner whatsoever", (Exhibit 28).

The duties assigned to Mr. Raber are described in the contract as follows:

"2. Raber's duties on behalf of the Association shall be to carry out the following aims and objectives of the Association; to assist in the regulation of credit on behalf of the respective members at large, to formulate policies and directives with respect to any bankruptcy proceedings in which any member in the Association may be concerned, to formulate minimum standards with respect to raw materials and workmanship, to come to the assistance of any member of the Association in trade or financial difficulties, to assist any

member of the Association in the satisfaction of any litigation of judgments entered against such member of the Association, to provide for the general good and welfare of the members of the Association in accordance with the aims and objects of the Association;"

(Exhibit 28)

At a meeting held on February 26, 1953, the following officers and directors of the Association were appointed:

President	- Saul Grossman (Berback)
Vice-President	- George Zuckerman (Toronto Quilting)
Secretary-Treasurer	- Melbourne Yull (Montreal Quilting)
Director	- Arthur Zysman (Master Quilting)

. . . At the same meeting it was decided to hold General Meetings once a month, with Directors Meetings to be held on the same day. It was also decided to establish the head office of the Association in Montreal. At a meeting held on March 9, 1953 it was agreed that the presidency should be rotated among the directors every three months. The above information was obtained from notes of the meetings made by Mr. Raber (Serials 786-7). The notes do not indicate whether all of the members were present, although Mr. Raber said in his evidence that the meeting of February 26th was the first meeting he attended (Evidence p. 163) and earlier he had said that in the latter part of February he attended a meeting at which all of the members were present (Evidence pp. 112-14).

In March 1953 a number of formal agreements were drawn up between the Association and all of the quilters who were members of the Association at that time (Evidence p. 155). There were three separate agreements although each dealt with the same matter, i.e. membership. One of these was dated March 2, 1953 and was made between the Association and Master Quilting (Serials 1080-2). Another was also dated March 2, 1953 and was between the Association and Expert's (Serials 1089-91). The third was between the Association and Toronto Quilting, Baker, Berback, Bucky Zackon, Montreal Quilting, Quebec Quilting and Quilted Products and was also dated March 2, 1953 (Exhibit 61). The texts of the agreements indicate that their main purpose was to establish the fees payable by each of the members to the Association. These amounted to 2 cents for every yard of quilted goods sold by

each member during the period of the agreement. Each member agreed to pay a portion of this amount as an advance deposit. In the case of the seven members who signed one of the agreements (Exhibit 61) the advance deposit consisted of an amount equal to 1/2 cent for every yard of quilting invoiced in the calendar year 1952. The remainder was payable each week at the rate of 1 1/2 cent per yard on all shipments made during the week. Provision was made for adjustment after one year if the advance deposit plus the weekly payments totalled more than 2 cents on each yard quilted. In the case of Master Quilting and Expert's the agreements set out actual sums as advance deposits: that for Master Quilting was \$2,902.75 (Serial 1081) and that for Expert's was \$1,000.00 (Serial 1090). Otherwise the terms for these two members were the same as for others. Other evidence, referred to in the section on Quotas, discloses that the advance deposits were revised to conform with the quotas which were established by the Association.

The aims and objects of the Association, as set out in the By-Law, (Exhibit 60), and quoted below, correspond to the purposes and objects described in the Letters Patent:

#### "AIMS AND OBJECTS

1. (a) To promote and assist in promoting the welfare, and enhance the interests of the members of the corporation comprising the firms, persons and corporations engaged in the business and industry of manufacturing quilting and quilted products, and the welfare of the industry generally.
- (b) To endeavour to establish and promote uniform trade practices and regulations, and eliminate trade evils and abuses.
- (c) To promote and/or assist in promoting and obtaining the enactment of legislation necessary and desirable with a view to the purposes herein and/or calculated and intended to enhance stability of the said industry
- (d) To engage in advertising and publicity activities for the purpose of informing the public of the various uses of products manufactured by its members.
- (e) For the purposes and objects aforesaid, to act as the agents of such firms, persons or corporations engaged in the business and industry of manufacturing quilted and quilting products."

4. Review of the Activities of the Association After 1953

(a) The Quota System

i) Establishment of a Quota System

The documentary and oral evidence shows that a quota system was established by the members of the Association not long after Mr. Raber was appointed administrator. That system applied to all sales made by the members in the calendar year 1953. The immediate object of the scheme was to divide the available business among the members in certain agreed proportions. A penalty was to be applied if a member sold more than his quota and he was to be compensated if he sold less.

Early in 1953 it was agreed that the members should submit to the Association office the total sales they made to each of their accounts in the calendar year 1952. The 1952 sales of each firm were then audited by McDonald, Currie and Co., a firm of chartered accountants. At first the fees payable to the Association were based in most cases on these sales figures. The quotas for each member were also worked out on the basis of sales in 1952. It was first assumed, for the purpose of allotting quotas, that total industry sales in 1953 would equal the 1952 total sales. Four of the members were then given higher 1953 quotas than their actual 1952 sales. These were Baker, Berback, Expert's and Quebec Quilting. It was then necessary to reduce the 1953 quotas of other members from their 1952 sales by amounts totalling the increases given to those named above. This was done, with the result that with 7 of the 9 members their 1953 quotas differed from their 1952 sales.

The following table sets out the 1952 sales and the 1953 quota for each member. The figures were taken from Serials 1346 and 1347.



<u>FIRM</u>	<u>1952 SALES</u>	<u>1953 QUOTA</u>
	<u>Yards</u>	<u>Yards</u>
Baker	128,800	165,000
Berback	201,000	220,000
Bucky Zackon	247,802	247,802
Expert's	162,636	200,000
Master	614,284	576,920
Montreal Quilting	1,114,742	1,114,742
Quebec Quilting	168,000	220,000
Quilted Products	935,830	873,654
Toronto Quilting	1,137,398	1,092,374
<u>TOTALS</u>	<u>4,710,492</u>	<u>4,710,492</u>

The percentages of total industry sales allotted to each of the quilters are shown in the first column of the following table, taken from Serial 1347. The second column contains the actual 1952 percentages.

<u>FIRM</u>	<u>PER CENT</u>	<u>PER CENT</u>
	<u>1953</u>	<u>1952</u>
Baker	3.5	2.7
Berback	4.6	4.3
Bucky Zackon	5.3	5.3
Expert's	4.3	3.4
Master	12.3	13.0
Montreal Quilting	23.7	23.7
Quebec Quilting	4.6	3.6
Quilted Products	18.5	19.9
Toronto Quilting	23.2	24.1

In order that the members whose 1952 sales were lower than their 1953 quotas could obtain those quotas it was decided that those in the converse position should give away some of their yardage. The following table shows how this yardage was to be distributed:

<u>YARDAGE TO</u>	<u>TOTAL NEEDED</u>	<u>FROM QUILTED PRODUCTS</u>	<u>FROM TORONTO QUILTING</u>	<u>FROM MAS- TER</u>
Baker	36,200	20,996	15,204	-
Berback	19,000	11,020	7,980	-
Expert's	37,364	-	-	37,364
Quebec Quilting	52,000	30,160	21,840	-

. . .

The evidence shows that in some cases it was not possible for a member to transfer an account to another member whose quota was down, either because not enough accounts were available (Evidence p. 274) or because the customer did not wish to deal with another quilter (Evidence pp. 306-7, 1586, Serial 799). In such cases the customer continued to be billed by the quilter from whom he had ordered the quilting while the goods were actually supplied by the quilter who had been assigned that yardage by the Association. The latter then sent the goods to the first quilter for delivery and was paid by him (Evidence p. 274). That this was done on a number of occasions is apparent from a document (Serials 1603-4) prepared by McDonald, Currie & Co. in the course of their audit of the sales of the members. According to this document Toronto Quilting, between July and December, 1953, invoiced various accounts for quilting totalling about 20,000 yards which was actually supplied by other members, viz. Baker, Montreal Quilting, Quebec Quilting and Quilted Products.

. . .

In order that the members would not exceed their quotas it was agreed that each member should sell only to those accounts he sold to in 1952 (Evidence p. 228). This of course was subject to the redistribution of yardage to conform to the established quotas. Where two or more quilters sold the same account in 1952 they were to sell in 1953 only that proportion they sold in 1952 (Evidence pp. 229-30). If it should turn out that the customer insisted on purchasing larger quantities from one quilter so as to cause him to exceed his quota with that customer a meeting of the interested quilters with the administrator was to be held in order to work out a solution (Serials 1202-4, Evidence pp. 230-1). One means of bringing the customer into line was to have the favoured quilter tell the customer he could not deliver in time (Serials 1202-4, Evidence pp. 230-7). This was done on occasions (Evidence pp. 230-7). If this course were not successful then it was agreed that the quilter who lost out would obtain yardage from another account of the favoured quilter (Evidence pp. 230-7). The initial division of yardage was not a precise one, and it was necessary to make adjustments from time to time throughout the year. . . .

. . .

When the quota scheme was instituted in March of 1953 it was found that in many cases members had made commitments with certain accounts for future delivery. Some of them provided for delivery at different prices from those established by the Association in February 1953, for the commitments had been made before that price list was established. For this

reason certain difficulties arose in connection with exchange of yardage under the quota scheme and also in connection with the establishment of the price schedule in February 1953. The evidence discloses that the Association took steps to clear up these difficulties by revising the prices at which they had been made. . . .

ii) Commitments for Future Delivery

The practice of making commitments for future delivery appears to have been of principal concern in connection with goods supplied to mail order houses. Some of the latter make purchases directly from quilting manufacturers but they also purchase goods from other manufacturers which embody quilting. The desire for firm future prices of quilting products appears to have been felt most particularly by manufacturers of quilted clothing and other items who made early quotations to mail order houses as a basis for prices to be included in catalogues and thus had to commit themselves well in advance of the time of delivery of the finished products.

. . . One account which purchased considerable quantities of quilting on this basis was Dominion Gaiter. Their policy was to bargain with the various quilters until they obtained the best price, before quoting the mail order houses (Evidence p. 1589). At a meeting held on October 19, 1953 (Serial 890), however, Mr. Yull, of Montreal Quilting, proposed that no more commitments be given. Mr. Yull explained at the hearings that he meant that no commitments below suggested prices should be given and that this suggestion was adopted by the members (Evidence pp. 1443-4). However, Dominion Gaiter understood that no forward orders at all would be booked at firm prices, and their experience indicates that this was the situation. For in the latter part of 1953 they found that they were unable to deal with the quilters on the same basis as they had previously done, and, fearing the result of this action on their own business, they decided to manufacture their own quilting. Mr. Zavalkoff, of Dominion Gaiter, described the situation at the hearings:

"Q. . . . What were your reasons for deciding to do your own quilting?

A. Do you mean putting in quilting machines?

Q. Yes.

A. Well, first there was the matter of uncertainty about the price. What I mean by uncertainty about the price is that we start to quote to the mail order

in December and January, and we were kept in a turmoil right along when we did not know where we were getting off at. This year [1954] we only got a final price from the quilters on March 22, at 6 p.m. That means that we were kept in an uproar from December or January until March. And we do not know what to mark up the product, and we had to take a chance, and we did not know where we were getting off.

Q. How did that differ from previous years?

A. Previous years they also used to dicker. They will hold you back for a certain time, and then give you the price.

Q. Were you not able to make a contract with them for future delivery at a certain price?

A. No.

Q. Were you able to do it in previous years?

A. In previous years, prior to 1953, I believe it was, it was an open market, so far as we were concerned. We phoned up different quilters and got our prices. But after 1953 there was no such thing. We just called one, and you were all set. You knew that was the price.

Q. You mean that the prices were all the same?

A. Yes, the prices were all the same.

Q. Were you able to get some sort of price from the quilters?

A. No, they would say, 'Oh, wadding has gone up and labour has gone up, and we are not sure yet when we will quote it to you. But we will quote it to you when you are ready.' And then you would ask the next time, and they would say that they have not formulated their price yet.

Q. You say you wanted a price in December?

A. Yes, we needed a price.

Q. In 1953?

A. Yes, and 1954.

Q. You worked out your quotas for 1954 deliveries?

A. Yes.

Q. To the mail order houses?

A. Yes.

Q. And you were not able to get firm prices?

A. No, they would say, labour has gone up and wadding has gone up -- and we knew that it did not go up to any extent, or did not go up at all. But we had no way of getting a price from them."

(Evidence, pp. 1588-90)

iii) Supervision of the Quota Scheme

To enable him to administer the quota system Mr. Raber kept detailed records showing each sale made by each quilter to each account. These records were compiled from the sales reports submitted by the members monthly until October 1953, and then weekly until the end of the year. The reports listed all invoice numbers, the names of the accounts and the yardage sold. From these reports Mr. Raber compiled lists showing running totals of sales to each account, and with the lists he was able to check the progress of each quilter with his quota (Evidence pp. 239, 281-86, 319).

As has been noted, the quota of each quilter for a specific customer generally corresponded to the proportion he had received of the business of that customer in 1952. When he had completed his quota he was to stop calling on the customer, and it was Mr. Raber's duty to direct any additional orders to a quilter who was short in his quota. Similarly, where two or more quilters were selling to the same account, each was to sell only an amount corresponding to the proportion of such account which he sold in 1952 and then stop calling on the account (Serial 1203, Evidence pp. 328-31, 1431, 1432). Examples of exchange of yardage and accounts to enable the members to attain their quotas have already been given. In August 1953 Mr. Raber wrote a number of letters to the quilters which illustrate the extent of and the detail involved in the application of the quota system. . . .



iv) Penalties and Compensation under the Arrangement

The most important aspect of the quota system had to do with the sanctions to be applied to a member whose sales at the end of the year did not coincide with his quota. Evidently it was felt that a member would try to increase his sales, despite the quota agreements, unless by doing so he would become liable to a penalty. Therefore, at a meeting held on May 11th, 1953, the following agreement (Evidence pp. 313-4) was made:

"Quotas to be held in proportion. Anybody going over his proportion of quota be directed to ship to some quilter who is below his proportion [of] quota or else pay the sume of 7 1/2 cents per yd. at the option."

(Serial 804)

The foregoing quotation is none too clear, but its meaning seems to be that if a quilter made sales in excess of his quota he was given the option of transferring the excess business to another quilter or of paying a penalty of 7 1/2 cents per yard of excess sales.

According to Mr. Raber the arrangement was that if a member sold more than the quota established for him for 1953 he was to pay 7 1/2 cents a yard on all excess yardage; if he sold less than his 1953 quota he would receive from the Association 7 1/2 cents for each yard under his quota (Evidence pp. 307-14). It was understood of course that if the total sales of all of the quilters were greater or less than the total expected sales then the quotas for each member would be revised upward or downward accordingly. It was also understood that the 1953 sales of all the members would be audited by the chartered accountants before any penalties were to be applied. The existence of this penalty explains why the fees assessed against the members were so high in proportion to the actual expenses of the Association. Apart from organizational expenses of \$7,597.66, the actual expenses of the Association in 1953 amounted to \$26,691.96. In that year the members paid in fees a total of \$86,620.74, or about 4 per cent of their sales. There was no question of miscalculation for in 1954 the same fees were assessed the members. It is obvious that the purpose of the large assessments was to ensure that eventual penalties would be easily collectible by merely deducting them from the refunds due the members after the operations for the year were completed (Serial 530).

The evidence discloses that the penalty agreed upon was imposed upon those who were over their quotas in 1953, and the equivalent amounts were paid to those who were under their

quotas. However before the penalties were applied it was necessary to revise the quotas because total sales of all the quilters were less than total expected sales for which quotas had been allotted.

The final standing of the quilters with regard to their quotas for the year ending December 31, 1953 is shown in Serial 1334, which was prepared by Mr. Raber and is quoted below in full:

"As Of December 31, 1953

<u>MONTREAL</u>			<u>%</u>
BAKER QUILTING	165,000	133,197	80.72
BERBACK QUILTING	220,000	232,726	105.79
BUCKY ZACKON	247,802	207,844	83.95
MONTREAL QUILTING	1,022,351	926,503	90.63
QUEBEC QUILTING	220,000	182,635	83.02
QUILTED PRODUCTS	873,654	811,784	92.92
TORONTO QUILTING	633,059	640,956	101.24
	3,381,866	3,135,655	92.72
<u>TORONTO</u>			<u>%</u>
EXPERT QUILTING	200,000	220,435	110.32
MASTER QUILTING	576,920	427,718	74.13
MONTREAL QUILTING	92,391	73,388	79.43
TORONTO QUILTING	459,315	339,144	73.83
	1,328,626	1,060,685	79.83"

(Serial 1334)

The first column of figures in Serial 1334 lists the original quota of each of the members. The second column lists the sales by each member in 1953 and the third column shows the proportion of his quota obtained by each member. The table also shows that in 1953 the members operating in Montreal obtained 92.72 per cent of their expected sales, and those operating in Toronto obtained 79.83 per cent. These percentages were used in calculating the revised quotas for the quilters which are shown in Serial 1335, prepared by Mr. Raber, and quoted below in full:

"December 31, 1953

MONTREAL - 92.72%

BAKER QUILTING	165,000	152,988	
BERBACK QUILTING	220,000	203,984	
BUCKY ZACKON	247,802	229,762	
MONTREAL QUILTING	1,022,351	947,924	
QUEBEC QUILTING	220,000	203,984	
QUILTED PRODUCTS	873,654	810,052	
TORONTO QUILTING	633,059	586,961	
	<hr/>		
	3,381,866	3,135,655	246,211

TORONTO - 79.83%

EXPERT QUILTING	200,000	159,703	
MASTER QUILTING	576,920	460,555	
MONTREAL QUILTING	92,391	73,756	
TORONTO QUILTING	459,315	366,671	
	<hr/>		
	1,328,626	1,060,685	267,941"

(Serial 1335)

The first column shows the original quota, and the second the revised quota. The final standing of each member was then worked out by taking the difference between his revised quota and his actual sales and multiplying the result by 7 1/2 cents. If he was under his quota he was credited with this amount and if he was over he was debited. Another table prepared by Mr. Raber shows how this was worked out (the figures with plus and minus signs actually were shown in red on the document):

"MONTREAL

1953 YEAR END - AVERAGE - 92.72%

BAKER QUILTING	152,988	
	133,197	
	<hr/>	
	19,791	\$ 1484.32
BERBACK QUILTING	232,736	
	203,984	
	<hr/>	
	+ 28,752	- 2156.40

BUCKY ZACKON	229,762	
	<u>207,844</u>	
	21,918	1643.85
MONTREAL QUILTING	947,924	
	<u>926,503</u>	
	21,421	1606.57
QUEBEC QUILTING	203,984	
	<u>182,635</u>	
	21,349	1601.18
QUILTED PRODUCTS	811,784	
	<u>810,052</u>	
	+ 1,732	- 129.90
TORONTO QUILTING	640,956	
	<u>586,961</u>	
	+ 53,995	- 4049.62

TORONTO

1953 YEAR END - AVERAGE - 79.83%

EXPERT QUILTING	220,435	
	<u>159,703</u>	
	+ 60,732	- 4554.90
MASTER QUILTING	460,555	
	<u>427,718</u>	
	32,837	2462.78
MONTREAL QUILTING	73,756	
	<u>73,388</u>	
	368	27.60
TORONTO QUILTING	366,671	
	<u>339,144</u>	
	27,527	2064.52

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\$ 4554.90"

(Serial 1336)

According to the witnesses who gave evidence at the hearings, all of the amounts shown were paid or were received by the members listed (Evidence pp. 405-7, 619, 690-5, 525-8, 587-92, 1020, 1087-92, 1145-8, 1434-5, 1488-9).

v) Quotas for 1954

The matter of the 1954 quotas was discussed at a general meeting held on October 19, 1953. It was agreed that the system would be continued.

Subsequently a significant change in the system was made, involving the penalty to be imposed for excess yardage sales. This penalty was increased from the 1953 level of 7 1/2 cents to 10 or 15 cents per yard for 1954. The exact amount of the increase is not clear from the evidence. Mr. Raber's evidence in this connection was as follows:

"Q. Now, in connection with the additional assessment applied on yardage in excess of the quotas, and the payments of yardage below the quotas, I understood you to say this morning that the amount of 7 1/2 cents has now been revised to 10 cents per yard?

A. Yes.

Q. And do you remember at what meeting that revision was made?

A. I think it was some time in May or June of this year [1954].

Q. May or June?

A. Yes.

Q. And what was the reason for that change?

A. Well, it was a matter of tightening up so that the firms would not try to exceed too greatly in their yardages.

Q. You said yesterday that 7 1/2 cents was more than sufficient to cover the profit that they would make on that yardage. Is it correct to say that I understood that from what you had said?

A. Yes.

Q. So that 10 cents would be that much more, would it?

A. Yes. It would just make it that much more harder for them."

(Evidence, pp. 412-13)



Mr. Yull's evidence was as follows, referring to Serial 1051:

"Q. The suggestion here is that the 7 1/2 cents should be raised to a higher figure. Do you remember the discussion?

A. That was to discourage selfish members from thinking about corraling more business than they were entitled to.

Q. What was decided upon? What figure was decided upon?

A. For 1954?

Q. Yes.

A. I believe it was 15 cents -- which would make it a loss."

(Evidence, pp. 1472-73)

It may be noted that the amounts paid by a member for exceeding his quota were not confined to the actual penalties imposed. For, in addition, he paid two cents to the Association for every yard quilted, and, although some of this money might eventually be returned to him, it was lost for the remainder of the year. Furthermore his contribution to the expenses of the Association rose proportionately. Similarly a member who sold below his quota was assessed a small amount and contributed less to the cost of the Association. The figures set out in Serials 1334-7 show that the fees actually payable to the Association after adjustments under the quota system represented an average of about .81 cents per yard on their total sales for the four larger quilters (Master Quilting, Montreal Quilting, Quilted Products and Toronto Quilting); 1.29 cents per yard for three of the five smaller quilters (Berback, Expert's and Bucky Zackon); while the remaining two quilters owed nothing, and actually received credits.

vi) Disciplinary Action Against Expert's

The evidence discloses that, with one exception, the members of the Association co-operated fully in the administration of the quota scheme. The exception was Expert's. On three occasions, this Company violated the regulations of the Association.

The details of the first incident involving violation of the Association's rules are contained in a memorandum written by Mr. Raber early in May, 1953. We quote this memorandum in full:

## "Report on Expert Quilting

On Wednesday April 29th I paid a visit to Expert Quilting plant and noticed on one of their machines heather wadding which did not look familiar to me. I asked Mr. Tillman [sic] if this was Union Felt's new wadding and his reply was no. We went out to his office and he told me that this wadding was supplied by one of his customers and came from S. Wiseman. He also advised me that the customer was charging him 16 cents per lb. for this heather wadding and that it had a wool content of 95%. During the conversation I requested the name of this customer and was advised that he could not reveal this information at the present time.

I thereupon called a meeting of the quilters in Toronto for the following day and at this meeting this matter was brought up and Mr. Tillman acknowledged that this was as I stated it and he was requested again to reveal the name of the customer who supplied the wadding and he then named the customer as Quality Leather Sportswear.

This is the account in which Expert had already exceeded their quota and were not to accept any more work from them. It was drawn to the attention of Mr. Tillman that this was a very serious matter as it was contrary to all the principals and the aims of the Association. He therefore withdrew the delivery of this merchandise to his customer and advised them that he was unable to work this wadding.

I saw Mr. Tillman again on Friday May 1st and requested that the merchandise he had already made up to be removed from his plant by myself, so as to make sure that the customer would not receive it and he refused to surrender it but gave his assurance that it will never be delivered.

I must draw your attention that I consider the following rulings were violated.

1. Accepting work from a customer for whom his quota has been long overrun.
2. Accepting work with the customers wadding.
3. Purchasing wadding from sources outside of our regular suppliers and thereby upsetting the status quo.
4. Being non co-operative in supplying information when requested."

(Serials 795-7)

At a general meeting held on May 11th, 1953, a motion was passed imposing a fine of \$100 on Expert's for breach of the Association's regulations.

The second occasion on which Expert's were disciplined by the Association had to do with sales they made to an account for which they had not been given a quota. It appears that in the summer of 1953 the Association had reason to suspect that Expert's were making sales to accounts for which they had no quotas. Mr. Raber was not certain of this, however, since the yardage reports made by Expert's to the Association were in order. Eventually it was decided that Expert's were making unauthorized sales to someone and were not reporting them. So at a meeting held on August 31st, 1953, the following decision was made:

"Motion - A. Zysman - M. Yull - that the accountants and administrator immediately make a complete audit of the books of Expert Quilting and report. If discrepancies are discovered that the wadding suppliers be notified to discontinue supplying wadding until further [notice] and Mr. Zuckerstein be requested to talk to Expert regarding this matter - Carried."

(Serial 857)

The chartered accountants made an investigation of the books of Expert's but were unable to find any discrepancies. So the Association, through Mr. Zysman, hired a private detective and directed him to investigate all shipments leaving Expert's plant. This was done without the knowledge of Expert's. It was then found that Expert's were shipping by rail to Deacon Brothers Limited, in Belleville, an account for which they had either no quota (Evidence pp. 387-90), or a very small quota (Evidence p. 393).

. . .

After the private detective reported that Expert's were shipping to Deacon Brothers, Mr. Raber requested the chartered accountants, McDonald, Currie & Co., to write directly to Deacon Brothers asking for details of all purchases made by them from Expert's (Serial 2354). This was done and it was then found that Expert's had sold a considerable quantity of quilting (Serials 881-2) to this account. Since the chartered accountants had been unable to find any record of such sales, further investigations were made. It was then found that the invoices representing sales to Deacon Brothers had actually been recorded in the books of Expert's under the names of other customers.

. . .

The penalty to be imposed on Expert's for selling to Deacon Brothers Limited was agreed upon at a general meeting held on December 7th, 1953. The following is from Mr. Raber's notes of the matters discussed at this meeting:

"Expert Q. - Penalty -

Cost of Association \$500.00 plus 15¢ per yd. for all yardage done by them for Deacon Bros. over and above their 1952 quota."

(Serial 973)

Mr. Raber said that this penalty was agreed upon at this meeting (Evidence pp. 391, 399). Serial 1035, containing notes made by Mr. Raber, shows that Expert's had sold to Deacon Brothers, over and above their quota, 6,330 yards. At 15¢ a yard, this totalled \$949.50. The total penalty, including \$500.00 covering costs to the Association for auditing fees and the private detective, was \$1,449.50.

The evidence indicates that neither this fine nor the fine of \$100.00 imposed in May 1953 were ever collected by the Association, although the decision to cancel them was not made until February or March 1954 (Evidence pp. 377-81, 392-3). Evidently one reason for this was that it was found at the end of 1953 that the ordinary penalty paid by Expert's for excess yardage at the rate of 7 1/2¢ per yard and amounting to some \$4,550.00 was a sufficient deterrent against future violations of the quota agreement.

The third occasion upon which disciplinary action was taken against Expert's occurred in February 1954. They were suspended for not paying their fees and penalties. The suspension was imposed at a meeting held on February 8th, 1954. The following extract is from notes Mr. Raber made at this meeting:

"Motion - Yull - Zuckerstein. That Expert Quilting are members not in good standing and are suspended until all monies due are paid. - Carried."

(Serial 1050)

At this time Expert's owed the Association \$2,297.83 covering outstanding fees and penalties for the year 1953 plus \$1,000.00 representing the advance deposit for 1954 (Serials 1337, 1403). They had already paid to the Association during 1953 fees totalling \$4,067.97 (Exhibit 42). Presumably they were reluctant to contribute so substantially to the maintenance of the quota scheme, while other members paid much less. Baker, for example, as a result of their being well below their 1953



quota, not only contributed nothing to the support of the Association, but actually were credited with a balance of \$318.85 (Serials 1334-7), while Expert's had to pay, in fees and penalties, an amount equal to about 6.6 per cent of their 1953 sales (Serials 1334-7, Exhibit 42).

Mr. Raber stated at the hearings that the suspension lasted for a short time only, that nothing was done about it and that subsequently Expert's paid the amounts they owed (Evidence pp. 400-02), although evidently they did not pay the fines which at this time they were expected to pay. But a document found in the files of Dominion Wadding shows that something was done about the suspension. This document is a letter, dated March 2, 1954 from the Toronto office of Dominion Wadding to their Montreal office, and it states:

"Mr. Raber of the Quilter's Union advises us, to-day, that it is O.K. to ship goods to Expert's Quilting Co., as they are once again in good standing."

(Serial 462)

It must be noted that Mr. Hayes, of Dominion Wadding, testified that his Company never did, in fact, stop shipping to Expert's.

(b) Agreements Relating to Prices

The evidence discloses that in 1953 and 1954 the members of the Association established schedules of prices to be charged for the various types and sizes of quilting. The schedules were prepared by committees appointed by the members and were adopted at Association meetings. They were then circulated to the members by the Administrator. The evidence also shows that revisions to or variations from the established price schedules were discussed at meetings of the Association.

. . .

The evidence discloses that during 1953 a considerable number of sales were made by the quilters at other than the prices listed in the price list of February 20, 1953. This was in large part due to commitments which had been made before the Association was reorganized and the price list agreed upon (Evidence p. 240-1). Many of these commitments had been made during a period of severe price cutting and it was partly to prevent this that the Association was reorganized (Evidence pp. 669-70, 1113-4).



Efforts were made by the members to overcome the difficulties raised by these commitments in administering the quota scheme.

An example was the case of Baker, who in accordance with the quotas agreed upon, was to be given a certain quantity of yardage by Toronto Quilting. Toronto Quilting had contracted, early in 1953, to sell a large amount of quilting at low prices to Dominion Gaiter, one of the largest accounts in the industry. So they tried to pass this low-priced yardage on to Baker. Baker refused to accept it at those prices and an adjustment had to be made. The result was that for some of the yardage Baker charged Toronto Quilting the scheduled prices while Toronto Quilting was able to collect from Dominion Gaiter only the originally quoted, lower prices (Evidence pp. 321-3).

In addition to setting prices for their product, the quilters endeavoured to make collective arrangements with the wadding manufacturers with respect to prices and supplies, - a topic which we shall examine later.

At this point, however, we should state that the prices of quilting fixed by the Association could and did affect the wadding trade. The 1954 Association schedule enumerated prices for quilting with unglazed wool wadding and cheesecloth backing, which manufacturers making unglazed wool wadding considered placed their product at a disadvantage in relation to quilting made from glazed wool wadding which could be used without additional backing. In order to satisfy the manufacturers of unglazed wool wadding, adjustments had to be made in the agreed price of quilting.

. . .

[Prices for this product] had been raised by one or two cents per yard for most types and sizes. Only two of the wadding manufacturers sold unglazed wool wadding, viz: Union Felt and Standard Felt. Matador and Dominion Wadding sold glazed wool wadding. The price to the quilters of glazed wool wadding (without cheesecloth) was higher than unglazed wool wadding (without cheesecloth), but when the price of cheesecloth for the latter was added the resultant cost to the quilters for unglazed wool wadding (with cheesecloth) was somewhat higher. Apparently the demand for quilting with unglazed wool wadding and cheesecloth was such that a differential of one or two cents per yard did not prevent its sale in competition with glazed wool without cheesecloth. However in the new price schedule adopted in 1954 by the Association the weights and sizes of quilting with unglazed wool wadding (with cheesecloth) were in most cases three or four cents per yard higher than comparable weights and sizes with glazed wool wadding

(without cheesecloth). The result was that prices for quilting with unglazed wool wadding and cheesecloth were the same as with glazed wool and cheesecloth (Serial 340), and on this basis the customer would prefer the latter (Evidence pp. 1213-4). Unglazed wool wadding was sometimes called "heather". Mr. Roiter, of Standard Felt, wrote a letter dated January 25, 1954, to the Association complaining about this situation. He stated:

" . . .

On issuing your price list for the coming year we find a great discrepancy in prices as regards to Glazed wadding against Heather and Cheesecloth which proportion should have maintained this year against previous prices.

Under these circumstances we cannot go along with you, and we are hereby withdrawing all our support from your Association."

(Serial 1037)

Mr. Roiter sent a copy of this letter to Mr. Himel, of Union Felt, who also made heather wool wadding (Serial 340). Mr. Yull, of Montreal Quilting, also wrote to Mr. Raber, asking that the differential be revised, indicating that if it were not revised the heather wool wadding manufacturers would not obtain the quotas which had been worked out for them (Serial 1041). In a letter dated January 29, 1954 Mr. Himel wrote to Mr. Roiter:

"Thank you for drawing to our attention the facts stated in your letter of January 25th and for the copy of the prices which you are disputing.

I have taken the matter up with the secretary of the Association, Mr. Ben Raber and he has assured me that this problem will be taken up at the next meeting in Montreal.

I am in agreement with you and I am sure that you will take a strong stand to rectify these price discrepancies."

(Serial 341)

At a special emergency meeting the Association held on February 8, 1954, correction and adjustment were made by reducing the price of quilting made with unglazed wadding.

(c) Discounts

In addition to establishing a schedule of prices for sales by members, the Association also established a scale of quantity discounts which was based on the cumulative volume of purchases which a customer made from all suppliers (Evidence, pp. 221-4). It would appear that some quilters allowed discounts on some occasions which were not entirely in accordance with the established scale. Some efforts also appear to have been made to secure a standard rate of allowances for prompt payment of accounts but the Association was not entirely successful in securing general adoption of a standard rate.

(d) Extent of Participation in Price Agreement

It is clear from the documentary and oral evidence that all of the members of the Association attended meetings at which prices were discussed and established and that price lists established by the price committees and adopted by the membership were circulated among themselves. Witnesses who gave evidence at the hearings claimed, . . . that the price lists which they had established contained suggested prices only, that no attempts were made to enforce compliance with these prices, and that they frequently departed from the lists.

There is no question that there were departures from the established lists. One reason was that when the Association was reorganized in 1953 many of the quilters had made commitments at prices different from those contained in the 1953 price list. Another reason was that in 1954 the Association established a schedule of quantity discounts. [Further, some of the quilters may have, on occasion, found it necessary in order to satisfy or please their customers to go below agreed prices.] That the lists were intended to be more than mere guides which a quilter might disregard if he chose is clear from the . . . evidence. That the lists were followed is indicated in an exchange of correspondence between Mr. Raber and the Secretary-Manager of the National Garment Manufacturers Association. Apparently the latter Association complained to the Quilting Association about their price-fixing activities (Serials 792-803). The Quilting Association referred the complaint to their lawyers, who drafted a suggested reply (Serials 800, 801). In a letter dated May 11th, 1953 to Mr. Raber, the Secretary-Manager of the National Garment Manufacturers Association stated in part:

"I have been instructed by the members of my Association that if I do not have a reply from you or your principals by the 15th May, I am to proceed with our

original plan to contact Ottawa and ask for their ruling on the action of the quilting manufacturers."

(Serial 803)

The nature of the complaint of the National Garment Manufacturers Association is indicated in Mr. Raber's reply, dated May 18th, 1953:

"We have for acknowledgment your letter of April 2nd, and May 11th and regret the delay in replying to same.

We have made inquiries with respect to the subject matter contained therein and it is our understanding that the situation is not as you have suggested.

Our Association has no power or authority to dictate or regulate prices charged by any member, and we are advised that the members referred to in your letter are not acting in concert with respect to quality and prices charged."

(Serial 805)

The evidence of Mr. Zavalkoff, of Dominion Gaiter Manufacturing Company Limited, already quoted, also discloses that in 1953 the quilters began to quote uniform prices.

Further, it must be noted that the establishment and operation of a quota system while, perhaps, not requiring complete adherence to a rigid price list nevertheless required generally uniform prices in order to remove incentive from customers to seek alternative sources of supply on a price basis.

(e) Registration of New Accounts

Under the quota scheme the accounts of each manufacturer were made known to the Association. It logically became a practice to register also with Mr. Raber all new accounts.

(f) Sales to Jobbers

The Association made efforts to prevent the granting of discounts to jobbers and to make sure that quilters would not, through jobbers, cater to accounts already allocated nor dispose of undisclosed production.



(g) Restriction of Entry into the Quilting Trade

The evidence reveals that by 1953 the quilting industry had considerably overextended itself. According to the returns submitted by them, the members of the Association in 1953 operated a total of 110 quilting machines. Master Quilting alone had sufficient capacity to supply more than the total demand in the Toronto market. In 1953, the total sales of the quilting firms in Toronto were about 1,060,700 yards (Serial 1334). If Master Quilting had produced all the yardage sold by the Toronto manufacturers in that year this would have averaged about 75,700 yards per machine. In fact, Master Quilting averaged about 30,500 yards per machine. The evidence discloses that another company, Expert's, manufactured on its two machines 220,400 yards in 1953 or about 110,200 yards per machine. If 100,000 yards is a reasonable output per machine, the capacity of the industry in 1953 was 11,000,000 yards. The total sales of the industry in that year amounted to 4,196,300 only. Output per machine varies by reason of many factors, e.g.; width, weight, pattern and number of stitches, and varies particularly according to the length of runs made without stopping or changing the set of the machine.

Such a comparison may not give a real measure of the effective capacity of the industry because of the seasonal character of many secondary textile industries and the effect of style changes from one year to another. Unless quilted products were to be produced for inventory, in advance of orders from garment and other trades, sufficient capacity would be needed in the quilting industry to meet the demand during the busy periods in clothing and other textile industries. To a very large extent, orders for finished goods are secured by manufacturers in such trades during customary buying seasons and materials are then purchased or ordered to meet the commitments which are accepted. It is clear that, because of the manner in which production varies between the peak and slack seasons, the effective capacity of the quilting industry cannot be measured on the basis of a constant level of production throughout the year. Nevertheless the difference in production per machine is so great between companies that we are convinced a considerable excess capacity existed in the industry by 1953.

Between 1948 and 1953, the increase in the capacity of the industry was accompanied by periodical outbreaks of price-cutting, particularly when it appeared that demand was falling off. It is apparent from the evidence that one of the reasons why the Association was reorganized in 1953 was precisely to overcome the situation resulting from "a terrific slashing of prices". The principal means employed were the fixing of common prices and the allotment of business among members on an agreed basis under the quota system. It seems to us, as stated by Dr. Solo, that the intention of the arrangements was that if each member abided by the quotas he



would be assured of a certain portion of the market and would be assured of a certain profit. The members of the Association accounted for almost all of the quilting sold in Ontario and Quebec. Therefore the success of the arrangements depended only on the co-operation of the members, provided no one else tried to enter the industry. The evidence discloses that others did try to enter the quilting industry and that the Association took active steps to keep them out.

The evidence relating to the activities of the Association directed towards restricting entry into the quilting trade deals with the four following firms: Matador Inc., Almac Felt Manufacturing Company, Parisian Pad and Dominion Gaiter.

i) Matador

In March 1953 Mr. Abraham Weintraub, President of Matador, formed an unincorporated company known as Independent Quilting Company, with the intention of entering the quilting trade. He purchased from the United States six quilting machines and some ancillary equipment. He paid for and obtained delivery of four of the machines and paid a deposit on the other two machines, which were to be delivered later. According to Mr. Weintraub, the total cost of this machinery was \$37,447.17. He paid \$30,266.37, and owed the balance on the two undelivered machines (Evidence pp. 1570-80).

Before Mr. Weintraub started operating his quilting business, negotiations were commenced, between him and the Association, in connection with the quilting machinery. These negotiations were under way by April 5th, 1953 (Serial 791). It is apparent from the evidence that the purpose of the negotiations as far as the Association was concerned, was to prevent Independent Quilting Company from ever operating. On the part of Mr. Weintraub, the negotiations were aimed at obtaining from the Association a guarantee that a certain quantity of wadding would be sold by Matador to the members while at the same time ensuring that he would suffer no loss as a result of his purchase of the quilting machines.

According to Mr. Raber the negotiations were initiated by the Association. . . .

As a result of the negotiations an agreement was made between Matador, the Association and Mr. Weintraub. This agreement was signed on June 8th, 1953 by George Zuckerman as President of the Association, Dr. E. Rosenberg on behalf of Matador, and Abraham Weintraub, and contained the following provisions:

"WHEREAS Mr. A. Weintraub has organized a Quilting Business under the name and style of INDEPENDENT QUILTING COMPANY, at 9500 St. Lawrence Blvd., Montreal, at a newly erected building thereon; and

WHEREAS Matador Inc. have undertaken towards Independent to supply the new Quilting plant all its requirements of waddings for the season 1953; and

WHEREAS the Association is anxious also to secure for her members the uninterrupted and proper supply of Matador Waddings for the current season 1953, under the terms and conditions set forth hereunder, and has therefore offered Matador to buy her seasonal output of Wadding for her members in the months of May through October, 1953; and

WHEREAS Matador has after negotiations acceded to the request of the Association for her members the steady supply of waddings during the current season under certain terms and conditions; and

WHEREAS the Independent, for the above mentioned reasons, has decided not to start her quilting business during the current season and thus to prevent any disturbance of the sales of wadding through Matador to the members of the Association during the current season;

NOW THEREFORE THIS PRESENT INDENTURE WITNESSETH:

1. The Association undertakes that its members will purchase from Matador during the current 1953 season, wadding in the same ratio as the purchases of its members for the year 1952, provided such purchases to approximate as from June 1st 500,000 pounds of wool wadding such as supplied hitherto, in width of 56" [wide wadding] and weights of 15 and 13 ounces at the price of 20 cents p.p., and of 10 1/2 ounces at the price of 21 1/2 cents p.p., prices subject to change due to a substantial increase in price of raw materials, with deliveries to be made according to weekly requirements and arrangements to be made by and amongst the members of the Association during the period up to November 1953, (and the terms of payment to be 30 days net from date of deliveries;)

2. The Association undertakes to defray, on signing of this agreement, the amount of \$3,500.00 to Mr. A. Weintraub and the Independent respectively being the

mutually agreed sum expended by Independent in connection with the purchase of quilting machinery in USA made for preparing the start of the production of quiltings in the beginning of the season 1953, at the above premises. The payment of the said sum of \$3,500.00 shall be as follows:

(a) By assigning to Independent a credit note dated February 4th, 1953 in the amount of \$2,000.00 on invoice No. C-7682 of Pathe Tool Mfg. Co. Inc., Long Island City, New York, which credit note is due to Ben Raber and which may be assigned by the said Ben Raber to the parties hereto, which assignment will be confirmed by the Pathe Tool Mfg. Co. Inc., New York, the assignee;

(b) The sum of \$1,500.00 payable at the time of the signing of these presents;

3. In consideration of the foregoing, Matador undertakes not to supply wadding to any quilter who is not a member of the Association inc. [including] Independent during the season 1953, and the Independent undertakes to store the quilting machines and accessories already purchased and maintain same in proper condition, and not to engage, directly or indirectly in quilting business in Canada until the end of November, 1953;

4. Should Weintraub and Independent decide not to engage in the quilting business in Canada in 1954, and give proper notice to this effect to the Association, within 30 days after November 30th, 1953, the Association shall have the right, within thirty days from receipt of such notice, to purchase from Independent the quilting machines and accessories at cost price as per the respective purchasing contracts, inclusive of duty, and the Association shall further refund to Weintraub the sum of \$416.00 representing transportation and unloading expenses in connection therewith, and the Association shall be obliged to pay the purchase price within 14 days of the exercise of its right to purchase the said machines and accessories, and to take delivery of the equipment forthwith from the storage place where same is maintained;

5. For purposes of identification, a list of the said machines and their cost price is annexed hereto and signed by the parties."

(Serials 1143-5)

Mr. Raber stated at the hearings that the Association was unable

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to obtain a release of the credit note which had been turned over to the Association by Mr. Raber, and that the Association paid Mr. Weintraub \$2,000.00 in cash instead (Evidence p. 424).

...

As a result of this agreement Mr. Weintraub placed his machinery in storage and kept it there until it was eventually sold in 1954 to the Association. The members of the Association purchased in 1953 approximately the amount of wide wadding which they had agreed to purchase, as well as a considerable amount of the narrower widths. In connection with the agreement by Matador not to sell to any quilters outside the Association, Dr. Rosenberg filed a document at the hearings (Exhibit 67) which stated that in 1953 Matador sold approximately \$1,500.00 worth of wadding to Toronto Feather & Down Co. Ltd. This company manufactures quilting for use in its own products, and not for resale, as in the case of the members of the Association. According to their return Matador's sales to the quilting trade in 1953 totalled \$133,940.00 (Exhibit 66).

At an Association meeting held on December 7, 1953, the members decided to buy Mr. Weintraub's quilting machines (Serial 974). The agreements made with Weintraub in 1953 and 1954 indicate that Mr. Weintraub received for his machines in the vicinity of \$35,000. In addition the Association undertook to pay a balance owing on the machines still in New York which totalled about \$6,750.00 (Serial 1112).

The agreement whereby the Association and its members actually purchased Mr. Weintraub's quilting machinery contained the following provisions:

"In consideration of the foregoing, Independent Quilting, Weintraub and Matador Inc. undertake not to engage in the quilting business, directly or indirectly, for the sale of quilting materials in Canada, or to do any contract quilting or quilting for users of quilting and quilted products in Canada as long as the Association has a contract with Matador Inc."

(Serial 1111)

On the same day the Association signed an agreement with Matador covering the supply of wadding to them during the year 1954. Under this agreement (Serials 1119-22) the members of the Association agreed to purchase from Matador a total of 570,000 lbs. of wadding. This time the purchases were not to be confined to 56 inch wadding, but included the narrower width of 46 inches. The agreement was made for a year, or as long as the Association remained in existence, whichever was less.



The agreement contained the following two provisions:

"6. None of the members shall buy or install additional equipment for making wadding for the duration of the agreement or for the length of time in which the CANADIAN QUILTING MANUFACTURERS ASSOCIATION shall remain in existence, whichever is less.

.....

10. In consideration of the foregoing, Matador undertakes not to engage directly or indirectly in the quilting business in Canada for sale in Canada during the terms of the Agreement or any renewal thereof and also not to supply wadding during the term of this Agreement or any renewals thereof, to any quilter or any other person or persons who manufactures quilting for his own use or for resale, or any person or persons who may take or use wadding for quilting purposes, who is not a member of the Association."

(Serial 1121)

ii) Almac Felt Manufacturing Company

In March or April 1953 (Evidence p. 1228) Messrs. Albert and Max Wiseman, who operated a felt manufacturing firm under the name of Almac Felt Manufacturing Company, purchased from the United States two quilting machines and a winding and trimming machine. The machinery was delivered to the firm in Toronto, and was installed and made ready for production (Evidence pp. 1228, 1244). Mr. Albert Wiseman stated at the hearings that he paid for this machinery, delivered in Toronto, \$10,000.00 (Evidence p. 1247).

Before Messrs. Wiseman started production of quilting, the Association began negotiations with them which were aimed at persuading them not to use their machines. Messrs. Wiseman were already in business as suppliers of shoddy which is used in the manufacturing of wadding. They were given to understand that Master Pad and Union Felt would buy material from them. On the strength of that understanding, Messrs. Wiseman agreed to sell to the Association the quilting machinery they had purchased and installed. A contract was signed in March, 1954, (Exhibit 50), the vendors receiving a price of \$20,000. One of the provisions in the agreement of sale between the Association and Messrs. Wiseman was as follows:

"5) In consideration of the foregoing, the Vendors hereby agree and oblige themselves not to engage either individually or



collectively, or in association with any other person, firm, partnership, association or Company, whether directly or indirectly in the quilting business and any business engaged in the sale, distribution and marketing of quilting materials in Canada for a period of five years."

(Exhibit 50)

iii) Parisian Pad

Early in 1954, Parisian Pad Company Limited, of Montreal, which had been engaged in the manufacture of shoulder pads for the quilting trade, decided to go into the quilting business, and purchased and installed a quilting machine. In March 1954 they were ready to start the production of quilting, and they purchased three or four bales of wadding from Dominion Wadding and made up samples (Evidence p. 34). The operations of the company are carried on by Mr. Jack Beck, who is the Manager, and his son Mr. Hyman Beck who is the book-keeper (Evidence pp. 21-3).

The evidence discloses that Parisian Pad had difficulty in obtaining wadding to operate their quilting plant. Various of the suppliers testified that in their opinion Parisian Pad was a poor financial risk. The Commission is satisfied that such may have been the case. From the evidence, however, it is clear that the Association definitely asked Dominion Wadding not to supply Parisian Pad (Evidence p. 1286). However, Dominion Wadding did sell some wadding to Parisian Pad on a cash basis.

Mr. Belitzky of Quilted Products (Evidence, pp. 706-07) definitely stated that he had refused to sell wadding and accessories to Parisian Pad on account of that firm's price-cutting:

"BY MR. MacKAY:

Q. When you say that he is a price cutter, do you mean that he has been cutting prices, -- that he had been cutting prices on quilting?

A. Before he spoke to me I had a report from my customer that he offered them a price 10 or 12 cents below our price, which is a physical impossibility to do, unless you don't pay for your merchandise.

Q. You do not know when he started up in business, do you?

A. It was about that time.

MR. BLOOMFIELD: Perhaps that is why he was able to sell at 10 or 15 cents below the market, when he did not pay for his merchandise. It was all velvet."

Of course, Quilted Products were under no obligation to supply Parisian Pad. Further, on the evidence, such a refusal cannot be held against that firm.

On the whole, the evidence, however, shows that regardless of Parisian Pad's and/or Mr. Beck's poor financial situation, efforts were made by the Association to prevent him from entering the quilting trade. Finally, Parisian Pad installed a machine to prepare their own wadding from shoddy. It was Mr. Beck's contention that the product they were able to manufacture was of an inferior quality, that it cost them more to make and that he had to sell at a lower price and in a more limited market.

iv) Dominion Gaiter

Until 1954 one of the largest accounts of the quilting manufacturers was Dominion Gaiter Manufacturing Company Limited, of Montreal, who are manufacturers of children's clothing. In 1954 they decided to manufacture their own quilting and purchased [at an approximate delivered cost of \$11,000] two quilting machines from the United States (Evidence pp. 1585-8). The reason for the decision to manufacture their own quilting was given at the hearings by Mr. Gerald Zavalkoff, the Secretary-Treasurer of the company. His evidence, which is quoted elsewhere in this [report], was that in December 1953 they found that they were unable to obtain commitments from the quilters for future deliveries, and that they found that all the quilters were quoting the same prices (Evidence pp. 1588-90).

The quilting machines were delivered to Dominion Gaiter at the end of May 1954 and they were ready to start manufacturing quilting early in June (Evidence p. 1593). Before the machines were delivered they had obtained a supply of wadding from Dominion Wadding (Evidence p. 1593). . . .

After that first shipment Dominion Gaiter experienced or encountered difficulties in obtaining from Dominion Wadding an adequate supply of wadding.

Mr. Hayes, of Dominion Wadding, at the hearing before the Commission, stated the facts as follows:

"A. Mr. Zavalkoff came down to my office with Mr. Spector at one time, [at the] time that pressure was being put

on us not to sell to Dominion Gaiter; and at that time they asked us to ship wadding to them. I think that is wadding that was already on order. But these orders here -- just how these dates tie in with his visit, I do not recall. But we acceded to their request, and shipped to them.

Q. You shipped to them?

A. Yes.

Q. You say Mr. Zavalkoff came down to see you about wadding that was already on order. Why would he do that?

A. Well, because, as I say, a request was made to us not to ship to them; and I made this request known to Mr. Zavalkoff, and explained our position -- that we were going to hazard quite a large business by making shipments to him, and that we did not want to ship them if we could help it. He said, well, that it would leave them high and dry for wadding, and that they would appreciate it very much if we did ship them. So I said, 'All right, we will.'

Q. You had been requested not to, you say; who made that request?

A. A delegation of the quilters came into my office and told me that Dominion Gaiter were putting in two quilting machines and they requested that we did not supply them with wadding.

Q. Who were in this delegation?

A. I cannot recall the members exactly, but I would say there would be at least four of them.

Q. Was Mr. Raber one of them?

A. I don't think so.

Q. Was Mr. Yull one of them?

A. Well, I don't recall it quite clearly. I don't want to name anyone. It is something I am not too sure of. But I do know that I had visits periodically from our customers, the quilters, and to say who was just in this delegation. I cannot be too sure which ones they were.

Q. Were they members of the association?

A. Yes.

Q. How do you know?

A. Well, because it had to do with the association business.

Q. Did they say they were acting for the association?

A. I presume they were.

Q. You do not remember whether they said so or not?

A. Well, I don't think that they needed to say so. I understood that they were making requests on behalf of the association.

Q. What did you tell them?

A. I told them that I could not see anything wrong with a man putting quilting machines in his own plant to do his own quilting, and that it was against our wishes to refuse to sell to Dominion Gaiter."

(Hearing, pp. 86-88)

Exhibit H-4 indicates that Dominion Wadding received orders from and delivered to Dominion Gaiter 588 bales of wadding between May 19 and August 24, 1954. During August and September, Dominion Gaiter picked some wadding up with their own truck at the Dominion Wadding plant, with a view to protecting Dominion Wadding against retaliation by the Association.

When Mr. Zavalkoff, of Dominion Gaiter, sought to purchase wadding, he received the answer from Matador Inc., that their production was all taken up; from Union Felt, that it was in no position to supply them.

As a result of those difficulties and of the resistance encountered, Dominion Gaiter looked elsewhere for additional stock, and by way of accommodation got some wadding from two manufacturers who ordered the goods from wadders ostensibly for their own use. It also imported small shipments from the United States; in both cases, Dominion Gaiter paid higher than Association prices.

The pressure exerted by the Association on Dominion Wadding, to withhold supplies from Dominion Gaiter, appears from Mr. Hayes' evidence:

"A. . . . We made shipments to Mr. Zavalkoff, and within 20 minutes of the time that it arrived in his plant Mr. Raber of the Association called us up and protested. And it may have been as a result of that that we requested Dominion



Gaiter to pick some wadding up rather than have our truck go down there. But if that happened, or how often it happened, I don't know. But I do know that we are selling Dominion Gaiter and delivering it to them."

(Evidence, pp. 1288-89)

Further in his evidence Mr. Hayes said:

"A. That is right. Now, so far as Dominion Gaiter is concerned, the first time we delivered to them we received protests from Mr. Raber and we may have requested Dominion Gaiter to pick up some shipments, because we did not approve of not selling to them, and yet we did not want to antagonize the Association.

I have explained to the Association why I did not approve of their request not to sell to them. Because I figured that anybody has a right to install a quilting machine and do his own work. We would have resented it if anybody had told us how to run our business.

Q. Why did you not wish to antagonize the Association?

A. Well, because they were our largest customer and we were anxious to sell to them and to remain in their good graces."

(Evidence, p. 1292)

v) Benjamin Raber

Earlier in this report, we have seen that the Association purchased from Mr. Raber quilting machines which he had ordered with the intention of starting a quilting business of his own, early in 1953. Under his contract of employment (Exhibit 28) the Association agreed to pay Mr. Raber a salary of \$20,000.00 a year to act as Administrator, and in addition agreed to refund to him all the monies which he had expended in setting up his new quilting business. According to that contract these totalled approximately \$8,000.00.

It has been submitted by the Director that one of the main considerations of the Association in making this contract with Mr. Raber was to prevent him from entering the quilting trade. The Commission does not adopt this view, but it is obvious that the members of the Association would be unwilling to employ a competitor as Association Manager.





## CHAPTER IV

### APPRECIATION OF THE ARGUMENTS SUBMITTED ON BEHALF OF THE QUILTERS

It is obvious from the data and other information previously given in this report that the quilting industry is a small one and its position among the textile trades is a relatively modest one measured by output. To suggest, however, that the effect of the arrangements made through the Association can be appraised by comparing the volume of quilting business done by members of the Association with the general trade of Canada or by measuring the per capita consumption of quilted products on the basis of the total population of Canada seems to the Commission to fall far short of considering fully the effect or likely effect on the public interest of restrictive arrangements of the nature of those disclosed in this inquiry. Suggestions of this kind involve the assumption that the economy of the country can be treated in segments without regard to the cumulative effects which could be produced by restrictive arrangements extending through a series of minor industries. It is also necessary to bear in mind that industries which may be small when compared with the total industrial output of Canada may occupy a much more significant position with respect to the particular classes of trade served. Even in the case of quilted products it is obvious that not all classes of the public would be interested in purchasing goods embodying quilted products but that the use of such products might be particularly significant, at times, in such garments as outer winter clothing for children and sportsmen.

The evidence shows that the practices disclosed did affect the garment trades in a significant way. This is clearly indicated, for instance, by the decision of Dominion Gaiter to do its own quilting and it is also illustrated by the complaint of the National Garment Manufacturers Association referred to earlier. The purpose of the arrangements made through the Association was to substitute for independent and competitive conduct of private business by the individual manufacturers, the collective determination of prices and conditions of sale, the allocation of business among the associated manufacturers and, as far as was possible, the selection of firms which would be able to engage in the quilting trade. It is difficult to think of a set of arrangements which would involve more far-reaching restrictions upon the conduct of a trade. The fact that the field in which such practices were attempted was small and that, therefore, any effects measured on a dollar basis would likewise be limited does not remove the detrimental effects which could be expected to follow

from them. It is only necessary to consider what results would flow from restrictions of such a character if successfully applied in some broader field of industrial activity to realize their serious nature.

Counsel for the quilters submitted that the Association "did not do successfully anything it set out to do". That is partly true: some price-cutting continued in 1953 and 1954, and certain members did not live up to all the rules set by their Association under the re-organization of 1953. The life of the Association from the time it was reactivated in 1953 was rather short and its activities appear to have ceased while the inquiry was in progress, some time toward the end of 1954. At the hearing before the Commission, Counsel for the Association said that some months previously he had been instructed to take steps to surrender the charter of the Association and thus terminate its legal existence.

While the activities of the Association on a full-fledged basis thus appear to have been carried on for less than two years the extent of the financial transactions in that period give indication of the significance of the practices in relation to the volume of business done by the member companies.

#### Financial Dealings of Association

##### Quota Arrangements

Fees and initial deposits, 1953	\$86,620.74*
Credits under quota system, 1953	8,826.30
Debits under quota system, 1953	8,826.30

\* If the amounts paid in exceeded actual expenses, refunds were to be made to individual firms after taking account of credit or debit position under quota system and deposit for 1954.

##### Transactions in connection with quilting machinery

- A. Reimbursement of Mr. Raber for expenses in connection with purchases of machinery and setting up of Supreme Quilting Company Limited - \$8,000 approximately
- B. Payments in connection with purchase of machinery from A. Weintraub and Independent Quilting Company - \$41,750
- C. Payments to Messrs. Wiseman for quilting machinery - \$20,000

When it is recalled that financial dealings on the scale indicated above were undertaken when the total sales of quilting of the members of the Association amounted to \$2,095,073 in 1952 and \$2,106,741 in 1953, the conclusion appears inescapable that the members considered that substantial monetary benefits could be secured through the practices being followed.

The Association requested an economist, Dr. Robert Solo, Assistant Professor in the Department of Economics, McGill University, to make an economic examination of the quilting industry and to make a presentation to the Commission based on his study in order to assist the Commission in appraising the effect on the public interest of the activities of the Association. Dr. Solo indicated that he had not had time to make a full study of the quilting industry and that his information was largely confined to that furnished to him by some quilting manufacturers. Dr. Solo suggested that a cursory analysis of the quilting industry since 1949 had indicated to him, first, that "this market was characterized by a high degree of price instability, secondly, that the industry itself is highly vulnerable competitively to those to whom it sells and those from whom it buys."

Dr. Solo added that instability did not only extend to price but also to the nature of the product and to the conditions and terms of sale.

According to Dr. Solo:

" . . . one of the major objectives of this association was to introduce a higher degree of stability in this industry, price stability primarily, but also product stability, and stable conditions of negotiation and trade, rather than to exploit -- and I shall try to define that word as I mean it, later on -- purchasers or suppliers.

As it seemed to me [continued Dr. Solo], the prices set by the Association had, as their principal object the maintenance of the solvency of the very small independent. This is understandable since, notoriously, in a sick industry, an over-exploited industry, it is the small independent, without resources, who is on the constant verge of bankruptcy, and who is subject to extreme short-run bargaining pressure at any point, and clutches at any straw to survive, and who is the prime source of market instability.

I think this is evidenced by the fact, as I gathered it, that the large firms, the relatively large firms -- did not increase their profits, even at the slightly higher prices and stable total volume of sales under the Association, presumably because a share of their business was allocated to the small independent, in the attempt to maintain his solvency."

(Hearing, p. 181)

In the course of his submission, Dr. Solo stated the question as follows:

"Now, the question is: given the attempt to achieve stability, or to eliminate the high degree of instability in price and product, is this to the public interest or not? I think there is at least an a priori case or an a priori presumption that stability is in the public interest; and instability, per se, is not in the public interest.

There are, after all, certain pure costs, costs of uncertainty, which go along with high [in] stability. These are real costs. And, like all real costs, they must ultimately be paid for by the community. Moreover, under unstable conditions of price and sales, the long-range planning, either by the producers or by the purchasers -- long-range organization and planning on an efficient basis -- is rendered difficult. With unstable conditions, work planning, job negotiations and labour relations are handicapped. There is a general emphasis on speculation and bargaining, rather than on organization and progressive innovation. This is an a priori case, I would say, that stability, per se, is in the public interest and, conversely, that instability is not in the public interest.

Moreover, historically, instability in this industry appears to be a part of a painful process toward merger, and a constant narrowing of the area of independent decision making, which implies certain disadvantages, I think, also. That is to say, mergers have seemed to have been the inevitable results of these sporadic price wars."

(Hearing, pp. 182-83)

As to the strength of the Association, Dr. Solo made the following comment:

". . . but the association itself, as a bargaining entity was not a monopoly, but was a very weak association, whose powers to enforce its will, the will of its members, appear to have been inherently weak and limited. This, again, was evidenced by the fact that as soon as they did try to put pressure on their member, to deviate from his competitive self interest, as he conceived it, the Association broke down."

(Hearing, p. 194)

On the basis of his view as to the weak position of quilters Dr. Solo concluded that the Association could not raise prices to an "exploitative level" and he considered that this deduction was supported by the course of prices of quilted goods. On the basis of



information given to him by a manufacturer of quilted goods Dr. Solo found that the price of a typical quilted product had moved steadily downward from 1949 whereas there had been rising prices generally, as shown by the general wholesale price index and the general textile price index.\* Dr. Solo said, however, that he had not determined whether there had been any deterioration of quality of quilted products during the period to which the price data related.

He went on to say:

" . . . In any case, it is hard to infer from the price data itself that there was any concerted effort to squeeze the consumer or that, if there was, that it achieved its objective."

(Hearing, p. 196)

Dr. Solo summed up his conclusions as follows:

"What I have argued in this analysis, what I have tried to suggest, is that stability was sought, in part, and that stability, per se, was probably in the public interest, and that the Association resulted in, at most, achieving a condition of bargaining equality versus the buyers and sellers involved; and that monopoly power was never -- or monopoly prices -- were probably never achieved, or achievable."

(Hearing, p. 196)

The main propositions put forward by Dr. Solo may be summarized as follows:

1. The quilting industry is ". . . a small group of producers wedged in between relatively few sellers, who are relatively powerfully entrenched -- on the one side, the wadding producers; and on the other side the buyers, again, are the relatively powerful clothing manufacturers".
2. The quilting industry has been characterized in recent years by a high degree of price instability brought about by excess capacity and highly unstable demand.
3. One of the major objectives of the Association was to introduce a higher degree of stability, price stability primarily but also product stability and stable conditions of negotiation and trade.

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\* Actually, the general index of textile prices has moved downward in recent years although not as much as the price index of quilted goods calculated by Dr. Solo.

4. There is an a priori assumption "that stability is in the public interest; and instability, per se, is not in the public interest" (Hearing, p. 182).

5. The strengthening of the bargaining position of quilting manufacturers, vis-a-vis suppliers of materials and purchasers of quilted goods could not be carried to an extent which would create public detriment (because of the nature of the industry) and the creation of more stable conditions in the quilting trade was probably desirable in the public interest. The most the quilters could have accomplished, even with complete monopoly, would have been the equalization of their bargaining position with their suppliers and customers.

During his appearance before the Commission Dr. Solo indicated that he was not expressing an opinion as to the desirability on grounds of public policy of the particular practices employed by the Association. He said that in the special circumstances of the quilting industry as he saw them he could understand how the members would try measures which might be hard to justify in terms of general economic policy.

If Dr. Solo had had for his examination all the information about the quilting industry which was obtained in the inquiry it is possible that he might have modified to some extent some of the pre-sumptions he made about the circumstances of the trade. Dr. Solo considered that the quilters had a weak bargaining position between the few suppliers of wadding, on the one hand, and "the relatively powerful clothing manufacturers" on the other.

It is apparent from the evidence reviewed earlier in this report that when the quilters acted as an organized group with respect to the wadding manufacturers they influenced in a very substantial way the policies of the latter. With respect to the purchasers of quilted products the evidence in the inquiry and general information available as to the garment trades does not indicate that the pressure of buyers would come to bear in any unusual fashion upon quilting manufacturers.

Reference has already been made to the comparative size of firms in the quilting industry and it was observed that more than 80% of the production in 1952 was attributed to four members of the Association. This indicates a relatively high degree of concentration in such an industry.

Available statistics do not make it possible to determine the relative size of firms in the industries which are the chief customers of quilted goods but the following table gives the size of establishment in certain branches of the clothing trades in 1953.

# SIZE OF ESTABLISHMENT

Factory Shipments of:	Men's Clothing Industry			Women's Clothing Industry			Children's Clothing Industry		
	No. of Establishments	% of Total Value *	No. of Establishments	% of Total Value *	No. of Establishments	% of Total Value *	No. of Establishments	% of Total Value *	
Under \$25, 000	51	.20	64	.41	15	.31			
\$25, 000 to under \$50, 000	42	.58	78	1.34	16	1.38			
\$50, 000 to under \$100, 000	92	2.53	128	4.42	25	4.14			
\$100, 000 to under \$200, 000	106	5.60	198	12.96	43	13.61			
\$200, 000 to under \$500, 000	176	20.35	241	33.96	46	31.49			
\$500, 000 to under \$1, 000, 000	72	18.77	95	29.35	17	24.88			
\$1, 000, 000 and over	62	51.97	26	17.56	7	24.19			
Total	601	100.00	830	100.00	169	100.00			

\* of factory shipments

Source: The Men's Factory Clothing Industry, 1953 (D. B. S.) and  
The Women's and Children's Factory Clothing Industries, 1953 (D. B. S.)

In connection with the administration of the quota system, details of the sales of each quilting manufacturer to each of his customers were secured by the Association and it is possible, therefore, to determine the number of customers who made purchases from members of the Association and the total quantities purchased by each customer during the course of a year. The following table gives the distribution of customers according to volume of purchases during the year 1952, whether such purchases were made from one or more manufacturers.

Distribution of Customers Buying Quilting from  
Members of the Association, according to volume  
of purchases, 1952

<u>Yardage Purchased</u>	<u>Number</u>
Less than 1,000 yards	220
1,000 to 4,999	185
5,000 to 9,999	61
10,000 to 14,999	38
15,000 to 19,999	19
20,000 to 24,999	11
25,000 to 29,999	8
30,000 to 49,999	20
50,000 to 99,999	12
100,000 yards and over	<u>6</u>
Total	580

(Based on: Serials 1220-1223,  
1264-1274)

The actual figures on which the above tabulation is based show that the six customers who made purchases exceeding 100,000 yards in 1952 had total purchases amounting to 736,033 yards. On the basis of the figures given earlier as to the total yardage sold to all customers in 1952, the purchases of these six customers would have formed a little less than 16% of total sales of the members of the Association.

Taking the figures as to scale of purchases in conjunction with the figures given above as to the distribution of garment manufacturers according to size of establishment and considering these in relation to the data as to the concentration of business in the hands of the four largest quilting manufacturers it does not appear to the Commission that buyers of quilting products generally would be in a position to exert particular pressure on their suppliers of quilting. In view of the wide dispersion of quilting purchases it would appear that concerted efforts by quilting manufacturers to control prices and

allocation of business would leave the great number of trade customers with little recourse but to accept the terms which were offered to them. The fact that such efforts on the part of the members of the Association were not and perhaps could not be carried to the ultimate limit cannot, in the Commission's opinion, be taken as altering the detrimental effects which have already been described.





## CHAPTER V

### REVIEW AND APPRECIATION OF THE EVIDENCE RELATING TO THE ACTIVITIES OF THE WADDING MANUFACTURERS

As we have already seen, most of the quilters do not manufacture their own wadding but buy that material from wadding manufacturers.

Until Matador Inc. entered the wadding industry at the end of 1950, Dominion Wadding was the only manufacturer of glazed wadding in Canada. As the quilting industry expanded after the war, Dominion Wadding encountered a certain amount of competition from two manufacturers of unglazed wadding, Standard Felt (Montreal) and Union Felt (Toronto). According to the returns submitted to the Director by the wadding manufacturers, sales of unglazed wadding to the quilters were, in 1953, about equal to sales of glazed wadding. By the end of 1952, Matador was firmly established as a supplier of glazed wadding. It had reduced prices below those of Dominion Wadding. Further it was the only manufacturer of wide (56 inch) wadding, which was much in demand.

There is no evidence that Dominion Wadding between 1948 and 1953 took any part in any agreement to fix the price of wadding.

There is evidence of consultation and discussion during that same period between Standard Felt and Union Felt; and similar price increases for both firms occurred around December, 1949. Mr. Himel, of Union Felt, denied the existence of an agreement, and it is our opinion that evidence to the contrary is not conclusive.

According to the Director, the evidence discloses that in 1953 and 1954, Dominion Wadding, Matador, Union Felt and Standard Felt made agreements among themselves and with the quilting manufacturers relating to the prices to be charged for wadding and the quantities of wadding which each should supply to the quilting trade. According to the Director, the evidence further discloses that the wadding manufacturers co-operated with the Quilters' Association in its attempt to prevent others from entering the quilting industry. It is the Director's contention that these activities of the aforesaid wadding manufacturers were aimed at preventing competition.

Our examination of the evidence covering the period since 1953 inclusive, leads us to somewhat different conclusions.

The evidence shows that most of the meetings attended by the wadding manufacturers were meetings of the Canadian Quilting Manufacturers Association. The wadders had but a few meetings of their own in order to discuss matters already or subsequently dealt with at meetings of the quilters or to review the effects on the wadding trade of decisions made by the quilters. For instance, the manufacturers of unglazed wadding intervened in order that a differential in prices with respect to quilted material made of unglazed wadding as against material made of glazed wadding, both with cheesecloth backing, would be maintained by the quilters. Such a subject had to be discussed with the Association, the quilters having set a common selling price for both glazed and unglazed quilted goods. It seems the manufacturers of unglazed wadding rightly feared that if the end products were sold by the quilters at a common price, the demand for unglazed wadding would considerably decrease, the trend of fashion favouring the use of quilted material made of glazed wadding.

The quilters wanted some degree of standardization of weight, width and thickness of wadding, and dealt with the wadders as a group in that respect.

The existence of the Association and its activities were a fact the wadding manufacturers had to reckon with. However, the relationship between wadders and quilters would probably have followed a more normal course if the Association had not entered into a special deal with Matador Inc. When the details of that agreement became known to the other wadding manufacturers they felt that they could not remain aloof. Consequently they entered into discussion with the Association looking towards the establishment of similar quotas. It must be kept in mind that the supply of wadding to the quilting trade represented a considerable part of the available wadding business.

As to the establishment of uniform prices between wadders and quilters, the latter bargaining collectively through their Association, some discussion was bound to occur between the wadders. The evidence does not show that as between themselves the manufacturers of wadding entered into any price agreements. The wadders against whom allegations were brought by the Director denied having agreed on prices. Mr. Hayes, of Dominion Wadding, was most emphatic on that subject.

"Q. . . . Did you agree to the price listed in Serial No. 981?

A. As I said, we do not agree to prices. We make the prices.

Q. Can you describe, then, how this price was worked out?

A. From what I would judge, we set the price for our wadding and, as I say, maybe the manufacturers of the

unglazed wadding might set their price a cent a pound below that, depending upon what they want to sell it at. And the quilters would take our price as a basis for glazed wadding, and Matador might sell at that, might agree with it, or he might not.

Q. Is that what you did at this meeting?

A. If they agreed to the price, they agreed to buy wadding at the price we set.

Q. Is that what you did at this meeting? Did you announce your price at this meeting?

A. No.

Q. What did you do when you referred to price?

A. Our prices are set. When we feel we have to change a price in wadding we issue a price list, and advise the trade of it.

Q. Did you advise the trade at this meeting?

A. No.

Q. What did you say with regard to prices at this meeting?

A. Either they had our price or we told them what our prices were. But I am sure they had our prices, because we issued lists to the quilters of all the grades they use, whenever we make a price change."

(Evidence, pp. 1334-35)

The foregoing evidence of Mr. Hayes related particularly to meetings which were held in December, 1953 which were attended by representatives of wadding manufacturers as well as by those of quilting manufacturers. From the evidence of Mr. Hayes, the price lists of Dominion Wadding and a verification of prices of Dominion Wadding filed with the Commission, and Mr. Raber's notes of the meeting, it would appear that about the beginning of December, 1953, Dominion Wadding had in contemplation an increase in its prices of wool wadding. Notes which Mr. Raber made of a meeting held on December 11, 1953, which no representative from Dominion Wadding attended, contain the following:

"Price of Wadding - Agreed upon  
Heather Wool - Grade #1 - All wool

4 lb.	-	23¢
5 lb.	-	20¢
6, 7, 8 lb.	-	19¢

Glazed Wadding - by Matador or Dom. Wadding

3 lb.	-	30¢
4 lb.	-	26¢
5 lb.	-	22 1/2¢
6, 7, 8 lb.	-	21¢"

(Serial 977)

The same prices for glazed wool wadding are repeated in the notes of a further meeting on December 21, 1953, which Mr. Hayes attended, but the following handwritten additions and revisions accompany them:

"Dom. Wadd.

28	
24 1/2	75% Ripped
22	25% Unripped
21"	

(Serial 983)

Mr. Raber gave the following evidence in regard to the handwritten revisions which he said he had made:

- "Q. I show you Serial 983, which, so far as the typing goes, appears to be a copy of 981. But there are some entries there in ink of certain prices. Would you explain what they mean?
- A. That is what corrections were made, and I made them right there. The corrections were made. In other words, they equalized the price between Montreal and Toronto as the same. And there was a change in glazed wadding. Dominion Wadding came down with their price from 30 cents to 28 cents, and from 26 cents to 24 1/2 cents and from 2 [sic] cents to 21 cents. And the other change which you see on there, 75 per cent ripped and 25 per cent unripped -- that is what they wanted to give us for those particular prices; and it was not satisfactory.
- Q. For the lowered prices?
- A. Yes.



Q. And they were not satisfactory?

A. No.

Q. And what was done?

A. The ultimate result was that we remained at our standard set in 1954.

Q. The prices that are here typed, do you mean?

A. No, the prices as they are changed there were put into force, but we still insisted that we did not want that type of material. We wanted them to use 100 per cent rip flannels."

(Evidence, pp. 458-59)

When a comparison is made of the prices of Dominion Wadding actually in effect and the prices first mentioned at the December meetings the situation appears to have been as follows:

Dominion Wadding

<u>Prices in effect</u> <u>March, 1953</u>	<u>Prices announced</u> <u>December, 1953</u>	<u>Prices in effect</u> <u>January, 1954</u>
(per lb.)		

3 lb.	28.0	30.0	28.0
4 lb.	24.7	26.0	24.5
5 lb.	23.1	22.5	22.0
6 lb.	21.9	21.0	21.0
7 lb.	21.1	21.0	21.0

The evidence indicates that when Mr. Hayes went to the meeting on December 21, 1953 and heard the discussion about the prices announced by Dominion Wadding he decided not to put the increased prices into effect and revised the prices along the lines indicated in Mr. Raber's notes. In regard to the discussion Mr. Hayes said, in evidence:

"A. Well, the only discussion that could have taken place, as I recall it, would be the fact that we said we were going to raise our prices by two cents a pound."

(Evidence, p. 1326)

In the opinion of the Commission the most that the evidence goes to show with respect to prices is that the quilters, by reason of the nature of the Association arrangements, bargained collectively

with Dominion Wadding over the prices which the latter would charge and that in such discussions Dominion Wadding altered its position with respect to the prices which had been announced. There is nothing in the evidence to show that Matador agreed with Dominion Wadding on prices for glazed wadding. As to Union Felt and Standard Felt, makers of unglazed wadding, they also had to bargain with the Association, as already explained. The evidence does not show that they initiated or entered into a price agreement as between themselves with respect to their product.

We have seen the attempts made by the Association to prevent other manufacturers from entering the quilting industry. The evidence shows that Dominion Wadding did not co-operate in that respect, much to the displeasure of the Association and to its own business risk. The most that may be said is that Dominion Wadding tried not to antagonize the quilters - which attitude is understandable.

The evidence does not conclusively show that Union Felt played an important part in preventing Almac Felt Manufacturing Company from entering the quilting trade. Standard Felt was mostly supplying its own associated firm. The evidence does not disclose that it refused to supply other manufacturers with a view to restricting their entrance into the quilting trade.

In view of the situation created by the Association and forced upon the wadding manufacturers, we are inclined to regard the following portions of a memorandum prepared by Mr. Raber and quoted by the Director as expressing the desires of the quilters rather than an actual agreement on the part of the wadders:

"1. The Wadding Manufacturers have agreed as a group they will co-operate fully with the quilting Association to the effect that if any quilting manufacturer buys or installs any additional wadding machinery from to-day and during 1954 they will support the Association with respect of not supplying this quilter and assist the Association in all respects to overcome this competition. If, however, by this move the Association breaks up, they will support any quilter who has not got any wadding machines and if necessary as a group will start up their own quilting plant.

. . ."

(Serial 981)

The conduct of Matador Inc. is quite different from that of the other wadding manufacturers. This firm entered into an agreement with the Association whereby it benefited from a deal made by one of its directors, Mr. Weintraub, with the Association and with the quilters intervening as members of the Association. Mr. Weintraub agreed not to start his quilting business and stored his

quilting machines which were later bought from him by the Association. The following compensation described in the agreement was reaped by Matador Inc.:

"1. The Association undertakes that its members will purchase from Matador during the current 1953 season, wadding in the same ratio as the purchases of its members for the year 1952, provided such purchases to approximate as from June 1st 500,000 pounds of wool wadding such as supplied hitherto, in width of 56" and weights of 15 and 13 ounces at the price of 20 cents p.p., and of 10 1/2 ounces at the price of 21 1/2 cents p.p., prices subject to change due to a substantial increase in price of raw materials, with deliveries to be made according to weekly requirements and arrangements to be made by and amongst the members of the Association during the period up to November 1953, (and the terms of payment to be 30 days net from date of deliveries;)"

(Serial 1144)

In this same contract Matador Inc. subscribed the following undertaking:

"3. In consideration of the foregoing, Matador undertakes not to supply wadding to any quilter who is not a member of the Association inc. [including] Independent during the season 1953, and the Independent undertakes to store the quilting machines and accessories already purchased and maintain same in proper condition, and not to engage, directly or indirectly in quilting business in Canada until the end of November, 1953;"

(Serial 1145)

The above excerpts are from the agreement signed on June 8, 1953. On March 18, 1954, the Association purchased Mr. Weintraub's machinery and a contract, bearing that date, contains the following provision:

"8. In consideration of the foregoing, Independent Quilting, Weintraub and Matador Inc. undertake not to engage in the quilting business, directly or indirectly, for the sale of quilting materials in Canada, or to do any contract quilting or quilting for users of quilting and quilted products in Canada as long as the Association has a contract with Matador Inc."

(Serial 1111)

On the same day, the Association signed an additional agreement with Matador covering the supply of wadding to its members during 1954. It contained the following provisions:

"6. None of the members shall buy or install additional equipment for making wadding for the duration of the agreement or for the length of time in which the CANADIAN QUILTING MANUFACTURERS ASSOCIATION shall remain in existence, whichever is less.

. . .

10. In consideration of the foregoing, Matador undertakes not to engage directly or indirectly in the quilting business in Canada for sale in Canada during the terms of the Agreement or any renewal thereof and also not to supply wadding during the term of this Agreement or any renewals thereof, to any quilter or any other person or persons who manufactures quilting for his own use or for resale, or any person or persons who may take or use wadding for quilting purposes, who is not a member of the Association."

(Serial 1121)

It is clear that the foregoing action on the part of Matador Inc. assisted the Association in its restrictive activities and that Matador Inc. derived substantial benefit therefrom.



## CHAPTER VI

### CONCLUSIONS

The nature of the arrangements and practices developed by the Canadian Quilting Manufacturers Association in 1953 and 1954 and the Commission's appraisal of the effect of these arrangements and practices on the public interest have been given in the preceding chapters of this report. In the opinion of the Commission the price-fixing agreements, the quota system and the measures taken to restrict entry into the quilting trade were against the public interest. It is clear that the effect of such practices, if successful, would be the establishment of a virtual monopoly of the quilting trade on the part of those who were engaged in the business in Ontario and Quebec. It is only necessary to express in clear terms the effect of the practices to reveal the real danger to the public interest which arises when private control of such a character is sought by the interested members of a trade. The tests of efficiency and the most economic use of resources, which result from the competitive action of a market, are set aside when decisions as to the prices at which products are to be sold and the rate at which such products are to be produced in particular plants are made by agreement among former competitors. No real defence of such restrictive practices was made before the Commission on behalf of the Association or its members and, essentially, the contention was made that the arrangements had been taken in misguided efforts to stabilize the quilting industry.

The fact that the Association arrangements were maintained for such a short period, less than two years, may be taken as some indication of the strength of the competitive forces which the practices were intended to restrain. On the other hand, the fact that measures of such a far-reaching character could be employed even for a brief period also indicates the public danger which lies in the assumption of such private control on the part of all or a considerable part of an industry.

The Commission sees no reason to question the information given to it that the restrictive arrangements which were the subject of the inquiry have been abandoned and that the activities of the Association have ceased. In view of the nature and structure of the industry the Commission believes that the shortlived Association practices which have been found to be against the public interest are not likely to have any persistent detrimental effects with the restoration of active competition in the quilting industry. For the future, therefore, no remedy appears necessary other than the



maintenance of a normal competitive market for quilted products. The Commission also believes that whatever adjustments may be necessary in the quilting industry to secure an appropriate balance between productive capacity and the demand for quilted goods can best be brought about through the incentives and balances of a competitive market. The industry has demonstrated, in the past, considerable flexibility in adjusting output and capacity to demand and there seems no reason to believe that such adjustments cannot continue to be made in a normal competitive manner.

While the Commission did not make close examination of the problem of maintaining adequate standards of quality of quilted goods, considerable evidence was secured during the inquiry which suggests that the public might benefit if there were defined standards relating to the hygienic condition of quilted goods and of wadding such as have been developed for certain other classes of textile goods which are used in products brought in close contact with the human body. The Commission considers that this matter might be looked into by the Standards Branch of the Department of Trade and Commerce in consultation with interested textile groups, including members of the quilting and wadding trades and interested consumer groups.

(Sgd.) C. R. Smith

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Chairman

(Sgd.) A. S. Whiteley

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Member

(Sgd.) Guy Roberge

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Member

Ottawa,  
March 2, 1956.





